



FINAL REPORT

LEGAL SERVICES CORPORATION Office of Compliance and Enforcement

LAF
Compliance Review
April 7-10, 2014

Recipient No. 514020

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I. EXECUTIVE SUMMARY

Finding 1: The automated case management system (“ACMS”) of LAF is sufficient to ensure that the information necessary for the effective management of cases is accurately and timely recorded. However, defaults were evidenced in the fields of household composition, intake type, and asset amount in violation of Program Letter 02-6, “Limitation of Defaults in Case Management Software,” (June 6, 2002) and CSR Handbook (2008 Ed., as amended 2011), § 3.6.

Finding 2: LAF’s intake procedures and practices do not support compliance-related requirements. Weaknesses were identified and corrective action is required related to the screening and documentation of income, assets, citizenship, and legal assistance.

Finding 3: Review of the sampled cases evidenced substantial compliance with the income eligibility documentation requirements of 45 CFR § 1611.4, CSR Handbook (2008 Ed., as amended 2011), § 5.3, and applicable LSC instructions for clients whose income exceeds 125% of the Federal Poverty Guideline. However, LAF’s income policy required minor revision to be compliant with 45 CFR Part 1611.

Finding 4: Review of the recipient’s sampled cases evidenced substantial compliance with the asset eligibility documentation requirements of 45 CFR §§ 1611.3(c) and (d) and CSR Handbook (2008 Ed., as amended 2011), § 5.4. However, LAF’s asset policy required minor revision to be compliant with 45 CFR Part 1611.

Finding 5: Review of the sampled cases evidenced non-compliance with the documentation requirements of 45 CFR Part 1626 (Restrictions on legal assistance to aliens) as there were 30 cases that failed to have a citizenship attestation when required.

Finding 6: Review of the sampled cases evidenced substantial compliance with the retainer requirements of 45 CFR § 1611.9 (Retainer agreements).

Finding 7: Review of the sampled cases evidenced non-compliance with the requirements of 45 CFR Part 1636 (Client identity and statement of facts).

Finding 8: Review of LAF’s policies and sampled cases and interviews evidenced substantial compliance with the requirements of 45 CFR § 1620.3(a) and § 1620.6(c) (Priorities in use of resources).

Finding 9: Review of the sampled cases evidenced substantial compliance with CSR Handbook (2008 Ed., as amended 2011), § 5.6 (Description of legal assistance provided).

Finding 10: Review of the sampled cases evidenced that LAF’s application of the CSR case closure and problem code categories is substantially compliant with Chapters VIII and IX, CSR Handbook (2008 Ed., as amended 2011). There were limited patterns of error noted in the sampled files.

Finding 11: Review of the sampled cases evidenced substantial compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.3 (dormancy and untimely closure of cases).

Finding 12: Review of the sampled cases evidenced substantial compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.2 regarding duplicate cases.

Finding 13: Review of LAF's policies and timekeeping records, and interviews with full-time attorneys who have engaged in the outside practice of law, evidenced non-compliance with the requirements of 45 CFR Part 1604 (Outside practice of law), as the policy required modification and LAF's recordkeeping needed improvement.

Finding 14: A limited review of fiscal documents, sampled cases, and public materials, as well as interviews with management and staff, evidenced compliance with the requirements of 45 CFR Part 1608 (Prohibited political activities).

Finding 15: Review of LAF's policies and sampled files, as well as interviews with management and staff, evidenced compliance with the documentation requirements of 45 CFR Part 1609 (Fee-generating cases).

Finding 16: A limited review of LAF's accounting and financial records evidenced that it is in substantial compliance with 45 CFR Part 1610 (Use of non-LSC funds, transfer of LSC funds, program integrity); however, LAF should make improvements in order to become fully compliant with CFR § 1610.5 (Notification).

Finding 17: LAF is in compliance with 45 CFR §§ 1614.3(a), (b), (c), and (d) which are designed to ensure that recipients of LSC funds involve private attorneys in the delivery of legal assistance to eligible clients.

Finding 18: LAF is in compliance with the requirements of 45 CFR Part 1627, which prohibits recipients from using LSC funds to pay membership fees or dues to any private or nonprofit organization, and its policy comports with 45 CFR § 1627.3 (Requirements for all subgrants).

Finding 19: Review of LAF's policies and sampled files, as well as a limited review of fiscal and other records, and interviews with management and staff, evidenced non-compliance with 45 CFR Part 1635 (Timekeeping requirement).

Finding 20: Review of sampled cases, as well as interviews with management and staff, evidenced compliance with the requirements of former 45 CFR Part 1642 (Attorneys' fees).

Finding 21: Review of LAF's policies and sampled files, as well as a limited review of fiscal and other records, and interviews with management and staff evidenced compliance with the requirements of 45 CFR Part 1612 (Restrictions on lobbying and certain other activities).

Finding 22: Review of sampled cases, as well as interviews with management and staff, evidenced compliance with the requirements of 45 CFR Parts 1613 and 1615 (Restrictions on legal assistance with respect to criminal proceedings and actions collaterally attacking criminal convictions).

Finding 23: Review of LAF's policies and sampled files, as well as interviews with management and staff, evidenced compliance with the requirements of 45 CFR Part 1617 (Class actions).

Finding 24: Review of LAF's policies and sampled files, as well as interviews with management and staff, evidenced compliance with the requirements of 45 CFR Part 1632 (Redistricting).

Finding 25: Review of the LAF's policies and sampled files, as well as interviews with management and staff, evidenced compliance with the requirements of 45 CFR Part 1633 (Restriction on representation in certain eviction proceedings).

Finding 26: Review of the LAF's policies and sampled files, as well as interviews with management and staff, evidenced compliance with the requirements of 45 CFR Part 1637 (Representation of prisoners).

Finding 27: Review of the LAF's policies and sampled files, as well as interviews with management and staff, evidenced compliance with the requirements of 45 CFR Part 1638 (Restriction on solicitation).

Finding 28: Review of the LAF's policies and sampled files, as well as interviews with management and staff, evidenced compliance with the requirements of 45 CFR Part 1643 (Restriction on assisted suicide, euthanasia, and mercy killing).

Finding 29: Review of the LAF's policies and sampled files, as well as interviews with management and staff, evidenced compliance with the requirements of certain other LSC statutory prohibitions (42 USC 2996f § 1007 (a) (8) (Abortion), 42 USC 2996f § 1007 (a) (9) (School desegregation litigation), and 42 USC 2996f § 1007 (a) (10) (Military selective service act or desertion)).

Finding 30: Review of the LAF's policies evidenced compliance with the requirements of 45 CFR Part 1644 (Disclosure of case information).

Finding 31: A limited review of LAF's internal control policies and procedures demonstrated that they compare favorably to the elements outlined in Chapter 3 - Internal Control/Fundamental Criteria of an Accounting and Financial Reporting System of the Accounting Guide for LSC Recipients (2010 Ed.).

Finding 32: Interviews and a limited review of procedures, practices, and documents related to TIG Nos. 08226, 10069 and 13041 evidenced partial compliance with certain TIG grant assurances and other applicable LSC regulations, rules, and guidelines.

II. BACKGROUND OF REVIEW

On April 7-10, 2014, staff of the Office of Compliance and Enforcement (“OCE”) conducted an on-site Compliance Review of LAF, formerly Legal Assistance Foundation of Metropolitan Chicago. The purpose of the visit was to assess the recipient’s compliance with the LSC Act, regulations, and other applicable guidance such as Program Letters, the Accounting Guide for LSC Recipients (2010 Ed.) (“LSC Accounting Guide”), and the LSC Property Acquisition and Management Manual (“PAMM”).

Background of Recipient

LAF was incorporated in 1972 and began receiving the Legal Services Corporation (“LSC”) grant for Chicago in 1975. LAF is a nonprofit law firm that provides a full range of legal services in Cook County, Illinois. In addition, LAF provides services to some residents of Lake County through its ombudsmen project, as well as to migrant workers throughout the entire state. LAF has a centralized intake unit, referred to as the Client Screening Unit (“CSU”), which conducts a majority of intake screening for LAF.

LSC’s Grantee Profile indicates, as of December 31, 2012, that LAF had a total staff of 148; including 79 attorneys, 34 paralegal, and 35 other staff. LAF’s LSC Basic Field funding for 2011 was \$7,131,567 and its LSC Migrant funding was \$275,520; for 2012 it was \$6,086,096 and \$235,129, respectively; for 2013 it was \$5,775,373 and \$230,305, respectively; and for 2014 it was \$5,684,155 and \$244,504, respectively. LAF received three (3) Technology Initiative Grants (“TIG”) that were within the scope of this review; TIG No. 08226, awarded in 2008, in the amount of \$136,000; TIG No. 10069, awarded in 2010, in the amount of \$157,100; and TIG No. 13041, awarded in 2013, in the amount of \$76,300.

In its 2011 Case Service Reports (“CSR”) submission to LSC, LAF reported 14,980 closed cases, in its 2012 CSR submission LAF reported 11,205 closed cases, and in its 2013 CSR submission LAF reported 11,240 closed cases. LAF’s self-inspection certifications indicated a 2.7% error rate in 2011, a 9.3% error rate in 2012, and .4% error rate in 2013.

Overview of Compliance Review

The on-site review was designed and executed to assess LAF’s compliance with basic client eligibility, intake, case management, regulatory and statutory requirements, and to ensure that LAF correctly implemented the 2008 CSR Handbook, as amended in 2011. Specifically, the review team assessed LAF for compliance with the regulatory requirements of: 45 CFR Part 1611 (Financial eligibility); 45 CFR Part 1626 (Restrictions on legal assistance to aliens); 45 CFR §§ 1620.4 and 1620.6 (Priorities in use of resources); 45 CFR § 1611.9 (Retainer agreements); 45 CFR Part 1636 (Client identity and statement of facts); 45 CFR Part 1604 (Outside practice of law); 45 CFR Part 1608 (Prohibited political activities); 45 CFR Part 1609 (Fee-generating cases); 45 CFR Part 1610 (Use of non-LSC funds, transfers of LSC funds, program integrity); 45 CFR Part 1614 (Private attorney involvement);¹ 45 CFR Part 1627

¹ In addition, when reviewing files with pleadings and court decisions, compliance with other regulatory restrictions was reviewed as more fully reported *infra*.

(Subgrants and membership fees or dues); 45 CFR Part 1635 (Timekeeping requirement); former 45 CFR Part 1642 (Attorneys' fees);² 45 CFR Part 1630 (Cost standards and procedures); 45 CFR Part 1612 (Restrictions on lobbying and certain other activities); 45 CFR Parts 1613 and 1615 (Restrictions on legal assistance with respect to criminal proceedings and Restrictions on actions collaterally attacking criminal convictions); 45 CFR Part 1617 (Class actions); 45 CFR Part 1632 (Redistricting); 45 CFR Part 1633 (Restriction on representation in certain eviction proceedings); 45 CFR Part 1637 (Representation of prisoners); 45 CFR Part 1638 (Restriction on solicitation); 45 CFR Part 1643 (Restriction on assisted suicide, euthanasia, or mercy killing); 42 USC 2996f § 1007 (Abortion, school desegregation litigation and military selective service act or desertion); and whether the program's policies and procedures compared favorably to the elements outlined in Chapter 3 - Internal Control/Fundamental Criteria of an Accounting and Financial Reporting System of the LSC Accounting Guide.

In preparation for the visit, on January 10, 2014, OCE requested that LAF provide certain case lists. Case lists requested included all cases reported in its 2012 CSR data submission ("closed 2012 cases"), all cases reported in its 2013 CSR data submission ("closed 2013 cases"), all cases closed in 2014 as of February 15, 2014 ("closed 2014 cases") and all cases which remained open as of January 31, 2014 "open cases"). OCE requested that two (2) sets of lists be compiled - one (1) for cases handled by LAF staff and the other for cases handled through LAF's Private Attorney Involvement requirement ("PAI") component. OCE requested that each list contain the client name, the file identification number, the name of the advocate assigned to the case, the opening and closing dates, the CSR case closure category assigned to the case, the funding code assigned to the case, and an indication of whether the case was handled by staff or by a private attorney pursuant to 45 CFR Part 1614. LAF was advised that OCE would seek access to case information consistent with Section 509(h), Pub. L. 104-134, 110 Stat. 1321 (1996), LSC Grant Assurance Nos. 10, 11, and 12, and the LSC *Access to Records* protocol (January 5, 2004). OCE instructed LAF to notify OCE promptly, in writing, if it believed that providing the requested material, in the specified format, would violate the attorney-client privilege or would be otherwise protected from disclosure.

By correspondence dated April 10, 2014, LAF requested that a system of Unique Client Identifiers be allowed in lieu of client names on case lists. Accordingly, on March 12, 2014 OCE sent a letter which set forth the proposed access agreement for the Compliance Review. Thereafter LAF agreed to the proposed access agreement, and provided the materials in accordance to the term set forth in the agreement. OCE made an effort to create a representative sample of cases that the team would review during the visit. OCE distributed the sample proportionately among open and closed cases and among LAF's various offices. The sample consisted largely of randomly selected cases, but also included cases selected to test for compliance with those CSR instructions relative to timely closings, ACMS data integrity, application of the CSR case closure categories, and duplicate reporting.

² On December 16, 2009, the enforcement of this regulation was suspended and the regulation was later revoked during the LSC Board of Directors meeting on January 30, 2010. During the instant visit, LSC's review and enforcement of this regulation was therefore only for the period prior to December 16, 2009.

Compliance Review

During the visit, LAF cooperated fully and provided the requested materials. LAF afforded access to information in the case files through staff intermediaries. LAF maintained possession of the files and disclosed financial eligibility information, problem code information, and information concerning the general nature of the legal assistance provided to the client pursuant to the OCE and LAF agreement of March 12, 2014. LAF displayed client signatures as they appeared on citizenship/alien eligibility documentation, retainer agreements, and 45 CFR Part 1636 statements. OCE reviewed a sample of approximately 765 case files during the visit. OCE also interviewed members of LAF's upper and middle management, fiscal personnel, staff attorneys, and support staff. OCE assessed LAF's case intake, case acceptance, case management, and case closure practices and policies in all offices for staff and PAI programs. OCE fiscal staff reviewed LAF's compliance with LSC grants, conducted a limited review of internal controls, prohibited political activities, fee-generating cases, lobbying activity, as well as LAF's use of non-LSC funds, its PAI component allocations, its use of LSC funds to pay membership dues and fees, timekeeping, attorney fees, cost standards and procedures, and other fiscal activities. A limited sampling of informational pamphlets and brochures were also collected and reviewed.

LAF's management and staff cooperated fully in the course of the review process. During the course of the visit, OCE notified members of LAF's upper and middle management and fiscal personnel of compliance issues identified during the review.

At the conclusion of the visit, on April 10, 2014, OCE conducted an exit conference during which LAF was provided with OCE's initial findings and was made aware of the areas in which compliance issues were found. During the exit conference, OCE explained to LAF that the findings were merely preliminary, that OCE may make further and more detailed findings in the Draft Report, and that LAF would have 30 days to submit comments to the Draft Report. LAF was advised that a Final Report would be issued that would include LAF's comments. LAF was further advised that OCE may request additional documentation or a demonstration that the required corrective action items have been implemented.

By letter dated August 12, 2014, OCE issued a Draft Report ("DR") detailing its findings, recommendations, and required corrective actions. LAF was asked to review the DR and provide written comments. By letter dated September 11, 2014, LAF submitted its comments to the DR. OCE has carefully considered LAF's comments and has either accepted and incorporated them within the body of the report or responded accordingly. LAF's comments, in their entirety, and the additional corroborating information provided by LAF on March 24, 2015 and April 28, 2015, are attached to this Final Report.

III. FINDINGS

Finding 1: The automated case management system (“ACMS”) of LAF is sufficient to ensure that the information necessary for the effective management of cases is accurately and timely recorded. However, defaults were evidenced in the fields of household composition, intake type, and asset amount in violation of Program Letter 02-6, “Limitation of Defaults in Case Management Software,” (June 6, 2002) and CSR Handbook (2008 Ed., as amended 2011), § 3.6.

Recipients are required to utilize automated case management systems and procedures which will ensure that information necessary for the effective management of cases is accurately and timely recorded in a case management system. At a minimum, such systems and procedures must ensure that management has timely access to accurate information on cases and the capacity to meet funding source reporting requirements. See CSR Handbook (2008 Ed., as amended 2011), § 3.1.

LAF’s LegalServer ACMS was reviewed to assess compliance with LSC requirements as required by Chapter III of the CSR Handbook (2008 Ed., as amended 2011). The review evidenced that LAF has implemented case management procedures and practices designed to ensure that LSC compliance related requirements are met and that LAF’s CSRs are accurate.³

In accordance with the CSR Handbook (2008 Ed., as amended 2011), §§ 3.1 and 3.5, LAF’s ACMS is capable of reporting cases to LSC by funding source, grant type, and Private Attorney Involvement component and jurisdiction, as well as by office. In addition, LAF has the ability to generate other unique ACMS reports and review data from multiple perspectives, as needed. Further, LAF does not rely on manual calculation and tabulation when compiling its CSRs. LAF has adopted authorized exceptions to its annual income ceilings and retains gross income during its financial eligibility determinations.

A review of LAF’s ACMS evidenced that defaults were identified in the “Household Composition” fields (the “Number of Adults” and “Number of Children” fields displayed one “1” and zero “0” respectively), in the intake type fields (the type of intake type defaulted to “telephone”), and in the asset amount fields (these defaulted to “0.00”). On-site testing and interviews determined that, even if the household and asset amount default values remained unchanged (adult “1” and children “0” and asset amount “0.00”), staff would have the ability to move to the next eligibility field without entering any information and thus there would be no way to determine whether the information displayed in these fields was accurate. The “intake type” field is critical to the determination of citizenship eligibility because a written attestation must be executed whenever the applicant appears in-person and thus reliable information about the type of intake (telephone or in-person) must be maintained. As LSC has determined that

³ To ensure that information critical to the determination of eligibility is collected and recorded for every applicant intake, LAF has programmed its ACMS to alert the user if ACMS eligibility fields are left blank. If no information is entered in these fields, an asterisk will appear indicating that the information must be entered and the user cannot proceed without entering the required information. Files containing reporting errors that cannot be corrected (e.g., timeliness/dormancy, duplication, lacking required eligibility information or documentation of legal assistance, etc.) are deselected and excluded from the CSRs. LAF deselects files in a manner consistent with the CSR Handbook (2008 Ed., as amended 2011), § 3.5 by use of the “X-Deselect” closure code.

screening for household composition, assets, and citizenship is critical to the determination of eligibility and that default ACMS values in these fields are not permitted, LAF must take required corrective action. *See* Program Letter 02-6, "Limitation of Defaults in Case Management Software," (June 6, 2002) and CSR Handbook (2008 Ed., as amended 2011), § 3.6.

Additionally, case review evidenced eight (8) case files where the information was inconsistent between the case file and the ACMS. *See e.g.* Closed 2013 Case No. 12-1121080 (This was an immigration case where the opening date was a year after representation commenced); Closed 2012 Case No. 11-1096569 (This is an immigration case that was opened on April 5, 2012, however, the notes in the case file indicated that representation commenced in September 2011); Closed 2012 Case No. 12-1125049 (This is a case where the funding code in case file indicated N/A and was blank on the ACMS); Closed 2012 Case No. 10-1044652 (This is a housing case where the notes in the case file indicated that the case was originally opened on May 7, 2010 and closed July 9 2012. According to the notes in the case file the case was reopened on September 5, 2012 and the opening date was automatically changed to this date in the ACMS); and Closed 2013 Case No. 11-1074171 (This case was initially opened and closed in 2011. The notes in the case file indicate that the case was accessed in 2013. The closing date was automatically changed in the ACMS to the 2013 date.).

It was recommended that LAF correct the technical error in its ACMS whereby merely accessing closed cases does not cause the opening or closing date being changed. LAF stated that it will address this technical error so that merely accessing closed cases will not trigger it being reopened and closed inadvertently.

In its response to the DR, LAF stated that it has changed LegalServer so that it does not generate a new "case opened" date when a closed case has been reopened.

Finally, while LAF's ACMS is sufficient to ensure that information necessary for the effective management of cases is accurately and timely recorded, defaults critical to the determination of eligibility were identified and LAF was advised that it must take required corrective action to modify its ACMS to remove the defaults in the fields of household composition, intake type, and asset amount.

By e-mail dated June 20, 2014, LAF informed OCE that the defaults have been removed from the ACMS.

There are no additional required corrective actions.

Finding 2: LAF's intake procedures and practices do not support compliance-related requirements. Weaknesses were identified and corrective action is required related to the screening and documentation of income, assets, citizenship, and legal assistance.

The intake procedures of LAF's CSU, the Children and Families Unit ("Family"), the Consumer Unit, the Housing Unit, the Public Benefits Unit, and the Immigrants and Workers' Right Unit ("IWR") were assessed. In addition, the operations of the William J. Hibbler Memorial Pro Se

Assistance Program and the Bankruptcy and Help-Desk located in the Dirksen Courthouse were assessed by interviewing and/or observing receptionists, intake specialists, paralegals, attorneys, managing attorneys, and executive staff members during the on-site review visit.

The interviews and observations revealed that the intake procedures performed by staff support LSC's compliance-related requirements concerning the CSR Handbook (2008 Ed., as amended 2011), § 3.2 (Duplicates and Conflicts), 45 CFR § 1611.4(c) (Government benefits exemption), 45 CFR § 1611.6 (Representation of groups),⁴ 45 CFR Part 1620 (Priorities), 45 CFR Part 1621 (Client grievance procedures), and file oversight (2008 CSR Handbook, as amended 2011). Weaknesses, however, were identified as LAF fails to screen for eligibility in its Pro se Help-Desks and clinics, and there is a lack of consistency in the screening for 45 CFR Part 1611 (Household composition, Income, Reasonable income prospects, and Assets) program-wide. In addition, sampled paper intake forms lacked necessary screening questions for 45 CFR § 1611.7 (a)(1) (Reasonable income prospects) and were inconsistent with regard to 45 CFR Part 1611 (Income and asset source types). The weaknesses identified during the on-site review are as follows:

Financial Eligibility Screening

Reasonable Income Prospects and Household Composition Screening

Intake observation and interviews evidenced that staff members consistently inquired whether an applicant's income would significantly change in the near future; however, there was some variation as to what time period constituted "the near future." Most staff indicated that they considered the near future to be six (6) months while others considered it to be within a year, and others within a few months.

Similarly, interviews conducted during the on-site review evidenced some variation in household composition screening. For example, some staff members defined household very simply, by having the applicant identify all adults and children who "live in the home." In comparison, other staff performed a more complex analysis that referenced the standards for a household established by the Supplemental Nutrition Assistance Program. Other staff members considered various factors, such as whether expenses were shared or whether the applicant had a responsibility of support towards the other household members.

Due to these inconsistencies, it was recommended that LAF develop a program-wide uniform approach and understanding to these critical screening questions.

⁴ While the intake staff interviewed indicated that they had never handled a group representation application, and LAF does not appear to have adopted group eligibility, the Housing Unit Practice Group Director reported having represented a tenants' association and was able to articulate the considerations and analysis required by 45 CFR § 1611.6. He reported that group eligibility would be conducted by a review of financial and other records of the group so as to determine the income legally available to the group to retain independent counsel. In addition, the group's charter or articles of incorporation would be reviewed to determine the basis for membership in the group, as well as any other fact or relevant circumstance. If the review evidenced that the group was primarily composed of individuals who would meet LSC eligibility, and the group lack sufficient income available to it to retain counsel, then the group would have satisfied the group eligibility requirements.

In its response to the DR, LAF stated that program-wide training on screening questions about income, income prospects, and household composition is being developed. LAF further stated that, as much as possible, the training will be done in segments and videotaped so that new staff can access it readily.

Income Source and Exception Screening

Intake interviews revealed that management and staff members consider the receipt of food stamps and value of food or rent received by the applicant in lieu of wages as income sources. As these items are non-cash receipts, they cannot be considered as an income source and cannot be included as income attributable to an applicant during eligibility determinations for LSC-funded assistance. *See* 45 CFR § 1611.2(i) (Definitions of income).

Intake interviews further revealed that management and staff members consider current utility bills (electric and gas) and “hardship” expenses as a basis for excluding income during eligibility determinations. As these expenses are not fixed as to time or amount, they are not “fixed debts and obligations,” LSC has determined that these are not authorized expenses to be considered during eligibility determinations for LSC-funded assistance. *See* 45 CFR § 1611.5 and 70 Fed. Reg. 45555 (Aug. 8, 2005).

Further, most staff indicated that the only exception employed was fixed debts and the majority of LAF staff select the category “fixed debts” in the ACMS drop down menu but do not record any further information concerning the type of expense or the reason the “fixed debt” factor justified acceptance of the potential client. The type of expense should be recorded so that a determination can be made as to whether it was a debt properly classified as a fixed debt exception.

Accordingly, as a required corrective action, LAF must require its staff to screen and document for income consistent with 45 CFR §§ 1611.2(i) and 1611.5. It was further recommended that LAF provide periodic program-wide compliance training for its staff to develop a uniform understanding and approach to income and income exception screening to assist it in implementing the required corrective action item.

In its response to the DR, LAF stated that it had adjusted LegalServer to eliminate the possibility that non-cash items (Food Stamps and the value of food or rent received in lieu of wages) will be counted as income. *See* 45 CFR § 1611.2. LAF stated that it has also adjusted LegalServer to require specification of the “fixed debts and obligations” that are considered when evaluating an applicant’s assets. LAF further stated that it has also revised its Client Screening Unit (“CSU”) manual (which is the authoritative reference manual for all eligibility screeners) to clarify the difference between current bills and fixed debts. After the changes were made to the manual, management sent e-mails to all LAF staff and students on April 14, 2014, and on May 21, 2014. Subsequently, management followed-up with staff by sending an even more detailed e-mail on June 2, 2014, less than one (1) week after its Board of Directors approved the revised CSU Procedures Manual.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

Asset and Asset Exemption Screening

Intake observation and interviews evidenced that staff members consistently inquired about an applicant's assets; however, there was a lack of understanding of all of the asset types exempted under LAF policy and some variation in general asset screening program-wide. For example, attorneys and management responsible for performing outreach intake on paper intake forms and providing same day legal assistance could not articulate the maximum asset ceiling limits.⁵ Most staff and management interviewed reported exempting one (1) vehicle per household regardless of its use for transportation purposes while others indicated that one (1) vehicle per person was exempt and that these vehicles must be used for transportation to qualify for the exemption. Most staff members were not familiar with the exemptions for work tools, burial plots, retirement, and cash value of life insurance accounts. A few staff members rejected all applicants whose assets exceeded LAF's maximum asset ceiling limit and were not familiar with the approval process for these applicants.

The lack of consistent understanding and approach to asset screenings raises questions as to whether applicants are being screened consistent with LAF's policy and 45 CFR Part 1611. In addition, the lack of program-wide understanding and approach may lead to differing eligibility results for the same applicant depending on who conducts the eligibility screening.

Accordingly, as a required corrective action, LAF must require its staff to screen for assets consistent with 45 CFR §§ 1611.3 and 1611.4. It was further recommended that LAF provide periodic program-wide compliance training for its staff to develop a uniform understanding and approach to asset and asset exemption screening to assist it in implementing the required corrective action item.

In its response to the DR, LAF stated that it had already done some agency-wide training and hopes to develop training modules that new staff can review as part of their orientation and existing staff can use to refresh their understanding of the applicable rules.

LAF stated that the revision to CSU's manual clarified the proper asset and asset exemption screening method and that LegalServer had also been modified to reflect the clarifications. LAF further stated that these improvements will make asset screening more uniform across LAF.

In addition, LAF stated that its "in the court-annexed Help-Desks (*i.e.*, the William J. Hibbler Pro Se Assistance Project in the U.S. District Court, the Bankruptcy Help-Desk in the U.S. Bankruptcy Court, and the Eviction Help-Desk in the Sixth Municipal Courthouse in Markham)" do not perform income and asset screening according to LSC requirements. The Help-Desks are funded in their entirety by the Chicago Bar Foundation, which requires that LAF work to assist as many pro se litigants as possible, indicating that "[i]ncome and asset screening would slow the registration process down unduly."

⁵ This is a compliance concern because these staff members could be potentially assisting asset ineligible clients as they are conducting intake outside of the ACMS.

By letter dated March 24, 2015, LAF added that its “CSU Procedures Manual specifically addresses the concerns about consistent implementation of the above-referenced changes,” and that “[t]he revised Procedures Manual was approved by the Board of Directors on May 27, 2014, and has been in use since that date.”

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

Help-Desk Eligibility Screening

During the on-site review, two (2) of LAF’s Help-Desks were assessed, the “William J. Hibbler Bankruptcy Assistance Desk” and “The Judge William J. Hibbler Memorial Pro Se Assistance Program” at the Everett McKinley Dirksen United States Courthouse. In addition, interviews were conducted concerning the operations of the eviction desk at the Sixth Municipal District Courthouse (“Markham”). The observations and interviews demonstrated that LAF attorneys and volunteers provide legal assistance (advice, consultation, and other services) at these locations without screening for household, income, reasonable income prospects, assets, and citizenship. In addition, “The Judge William J. Hibbler Memorial Pro Se Assistance Program” is not screening for priorities and accepts any cases, including potential non-priority cases, such as those involving maritime law. Finally neither “the William J. Hibbler Bankruptcy Help-Desk” nor “the Judge William J. Hibbler Memorial Pro Se Assistance Program” conduct conflict checks prior to providing legal assistance. The Help-Desk locations are supported with non-LSC funds.

For activities supported with non-LSC funds, LSC regulation requires that recipients provide legal assistance only to citizens of the United States and eligible aliens and that such legal assistance must be consistent with the priorities established by the recipient’s Board of Directors. The priorities must be consistent with Public Law 104-134, Section 504 and recipients must use the funds for their intended purpose. As LAF is not conducting citizenship and priority eligibility screening, LAF’s Help-Desk activities are not in compliance with LSC regulations. See 45 CFR Parts 1620 and 1626. See also the CSR Handbook (2008 Ed., as amended 2011), §§ 5.5 and 5.6.

During the on-site review, LAF management stated that it only came to the realization that its Help-Desks were not compliant while preparing for the on-site review. LAF management expressed its commitment to bringing its Help-Desks into compliance.

Accordingly, as a required corrective action, LAF must immediately begin conducting citizenship and priority screening for all persons and groups receiving legal assistance supported with non-LSC funds.⁶

LAF is required to screen applicants consistent with LSC regulation and other guidance when providing legal advice during outreach.

⁶ Legal assistance as defined in 45 CFR § 1635.2(a), the CSR Handbook (2008 Ed., as amended 2011), Chapter II, and the ABA Standards for the Provision of Civil Legal Aid (2006), Standards 3.6, Provision of Legal Information, and 3.4-1, Representation Limited to Legal Advice.

In its response to the DR, LAF stated that most of LAF's outreach involves the provision of legal information and not legal advice; but, if a person seeks legal advice at an outreach event, the appropriate screening will be conducted as follows:

- For non-LSC funded outreach activities (e.g., Title III funds or the Attorney General Foreclosure Grant), people seeking legal advice will be screened for citizenship/alien eligibility, all cases will fall within LAF's priorities, and income/asset limitations imposed by the applicable funder will be followed.
- For LSC funded outreach activities, individuals seeking legal advice will undergo a full LSC-compliant eligibility screening on-site or will be referred to LAF's Client Screening Unit.

LAF further stated, in its letter dated March 24, 2015, that "while the OCE team was still in LAF's offices, LAF management sent an e-mail to all LAF staff who work at our Help-Desks and other off-site clinics alerting them to the requirement that we gather citizenship/alien eligibility information for any person we see in those settings to whom we provide legal advice." *See* March 24, 2015, Letter, Attachment 7.

LAF also stated that, on June 27, 2014, LAF management followed up with more detailed instructions about obtaining citizenship/alien eligibility information. *See* March 24, 2015, Letter, Attachment 8.

LAF has developed a form for screening that is conducted off-site. *See* March 24, 2015, Letter, Attachment 5. The form was sent out for use in off-site screening on July 9, 2015. *See* March 24, 2015, Letter, Attachment 9.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

In addition, the requirements of 45 CFR Part 1611 must be satisfied for persons whose legal activities are supported with LSC funds. As an additional required corrective action, LAF must maintain records of its activities sufficient to demonstrate it has satisfied the requirements of 45 CFR Parts 1611, 1620, and 1626, as well as the CSR Handbook (2008 Ed., as amended 2011). As a further required corrective action, LAF must demonstrate that non-LSC funds used to support its Help-Desks are used accordance with the specific purposes for which they are provided and are not used for activity prohibited by or inconsistent with Public Law 104-134, Section 504. *See* 45 CFR § 1610.4.

In its response to the DR, LAF stated that it agrees with the OCE Team's conclusion that LAF is generally providing legal advice, not legal information, at the court-annexed Help-Desks. LAF further stated that, as such, it understands that individuals receiving services must be screened for U.S. citizenship or eligible alien status, as required by LSC regulations. LAF indicated that any individual who is not screened or cannot confirm a legal status will receive only legal information.

LAF provided training to its staff during a Practice Group Directors' Meeting on June 16, 2014, and at a Supervisors' meeting later the same day. *See* Attachment 3 of LAF's March 24, 2015, Letter for PowerPoint presentation and word document attachments. Additionally, management sent an e-mail to all staff at LAF's various court-annexed Help-Desks and off-site clinics, explaining the entity restrictions in Section 504 of the LSC Act.

LAF also stated that the screening procedures for the Help-Desks have been modified to require that appropriate citizenship/alien eligibility documentation be obtained before any legal advice is provided and so that staff can document that the legal advice provided does not violate LSC's entity-based restrictions. A copy of the new intake sheet was provided to OCE on March 24, 2015, as Attachment 5. The form was reviewed and found to be compliant.

Finally, it was recommended that LAF review its rules of professional conduct to ensure that its Help-Desk conflicts procedures are consistent with its jurisdictional ethical obligations. *See* 42 USC 2996f §§ 1007 (a)(1) and (10).⁷ It was further recommended that LAF develop procedures to ensure that no LSC funds are used to support Help-Desk activities unless screening is compliant with LSC requirements.

LAF indicated that the state of Illinois has adopted a new rule regarding screening for conflicts at court-annexed Help-Desks where advocates and volunteers do not typically have direct access to LegalServer and/or other data necessary to perform a complete conflict check. LAF has ensured that it is in compliance with this new rule.

LAF has further confirmed with the Chicago Bar Foundation ("CBF"), which funds all three (3) Help-Desks, that the funds it provides to LAF must be spent consistent with LSC limitations. The CBF understands and agrees with the applicable regulatory constraints. *See* March 24, 2015, Letter, Attachment 6.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

In its response to the DR, LAF stated its position that the conflict checks done at LAF's Help-Desks are consistent with its ethical obligations. LAF further stated that it is unaware of any instances where "Chinese Walls" have not been created where they were warranted. LAF also explained that the Help-Desks have their own budgets and account fully for all funds received from the CBF, and that LSC funds are not expended on them.

⁷ This recommendation is made consistent with LSC regulatory authority to ensure that its recipient's maintain the highest quality of professional standards and insure that attorneys, while engaged in legal assistance activities supported in whole or in part of by LSC funds, refrain from any activity prohibited by the Canons of Ethics and Code of Professional Responsibility of the American Bar Association. *See* 42 USC 2996f §§ 1007 (a)(1) and (10).

Website Inconsistencies

A review of several of LAF's community partners evidenced they posted misinformation about LAF's services on their websites. For example:

Chicago Courtwatch's website indicated that LAF provided "low cost assistance to all undocumented immigrants" and "maintains an info-line to respond to questions." LAF staff indicated during intake interviews that it verified alienage consistent with 45 CFR Part 1626. Limited observations of the Immigration Information Line evidenced that information and not legal assistance was provided to the callers; and

Illinois Probono website indicated that, at the "Skokie Courthouse Eviction Help-desk, experienced [LAF] attorneys and law students provide advice, brief services and possible court representation to tenants facing eviction ... on Fridays in short, fixed time slots (Posted: 3/17/2014)." The website also informs people that "LAF attorneys and volunteers provide advice, brief services and, in some cases, representation, every Friday at the Skokie Courthouse. At the start of the eviction call, the Judge introduces the LAF staff and volunteers, then provides pro se litigants with an opportunity to discuss their cases with the volunteers prior to the case being called. Volunteers and staff review pleadings, talk about the facts of a particular case, discuss the procedures that landlords must follow to evict tenants, and occasionally negotiate with adverse parties or step up in a case. Volunteers are mentored, trained and supervised by experienced LAF Housing Practice Group Staff Attorneys. This volunteer opportunity takes place at the Skokie Courthouse, 5600 Old Orchard Rd., Skokie, IL." According to the LAF's Housing Practice Group Director the information posted on the Illinois Probono website is incorrect. He indicated that legal assistance is not provided at the Skokie Courthouse on Fridays, but rather, applicants are informed about the availability of LAF services on Fridays and are directed to apply for legal services through the CSU.

As such it was recommended that LAF contact its community partners and ensure that they are disseminating accurate information about its services.

In its response to the DR, LAF stated that it endeavors to provide all of its partners with accurate information about the services it provides. LAF further advised that its website also has comprehensive information about the services it provides.

Review of Paper Intake Forms

Samples of LAF's printed ACMS intake sheet and paper intake forms were collected and assessed for compliance with LSC requirements. The forms were also reviewed for the purpose of determining whether eligibility was conducted in a sufficiently uniform and consistent manner by all staff conducting intake. The forms were not compliant as they did not contain a section requesting 45 CFR § 1611.7(a)(1) "income prospects" information. In addition, the forms were highly variant and less thorough than the ACMS screening. For example, the forms did not contain all 18 income source types included in the ACMS and many did not contain a section to note expenses and other factors that could reduce an applicant's income. The Family Questionnaire was not actually an intake form but a substantive case analysis document that did

not contain a section for household composition. In addition, the Illinois Migrant Legal Assistance Project Intake Form did not contain questions to screen for assets. As the review discovered numerous paper intake forms that were inconsistent and failed to contain screening questions in all areas critical to the determination of eligibility, as a required corrective action, LAF must standardize its paper intake forms to be consistent with its ACMS.

In its response to the DR, LAF stated that this had been done. LAF indicated that it developed a standardized paper intake form for screening that is conducted off-site. *See* March 24, 2015, Letter, Attachment 5. The form was circulated by management for use in off-site screening on July 9, 2015. *See* March 24, 2015, Letter, Attachment 9.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

Intake Review Conclusion

Based on the materials reviewed, observations of intake staff, interviews with management and staff, and supplemental information obtained, LAF's intake procedures and case management system do not support the recipient's compliance-related requirements. LAF must take action to address the compliance concerns identified during the course of the review related to general income, asset, and Help-Desk eligibility screening and documentation. In addition, LAF must standardize its paper intake forms and develop forms which are compliant with LSC regulations. It is recommended that LAF provide program-wide compliance training for its staff and develop a plan to monitor the accuracy of the information maintained and disseminated by its community partners about LAF's services.

In its response to the DR, LAF stated that, to the extent possible, it will monitor for accuracy the information its community partners post about the services LAF provides. In one (1) of the scenarios discussed in the DR, LAF was unable to determine who posted the information and, therefore, could not correct it.

Finding 3: Review of the sampled cases evidenced substantial compliance with the income eligibility documentation requirements of 45 CFR § 1611.4, CSR Handbook (2008 Ed., as amended 2011), § 5.3, and applicable LSC instructions for clients whose income exceeds 125% of the Federal Poverty Guideline. However, LAF's income policy required minor revision to be compliant with 45 CFR Part 1611.

Recipients may provide legal assistance supported with LSC funds only to individuals whom the recipient has determined to be financially eligible for such assistance. *See* 45 CFR § 1611.4(a). Specifically, recipients must establish financial eligibility policies, including annual income ceilings for individuals and households, and record the number of members in the applicant's household and the total income before taxes received by all members of such household in order to determine an applicant's eligibility to receive legal assistance.⁸ *See* 45 CFR § 1611.3(c)(1) and CSR Handbook (2008 Ed., as amended 2011), § 5.3. For each case reported to LSC,

⁸ A numerical amount must be recorded, even if it is zero. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.3.

recipients shall document that a determination of client eligibility was made in accordance with LSC requirements. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.2.

In those instances in which the applicant's household income before taxes is in excess of 125% but no more than 200% of the applicable Federal Poverty Guidelines ("FPG") and the recipient provides legal assistance based on exceptions authorized under 45 CFR § 1611.5(a)(3) and 45 CFR § 1611.5(a)(4), the recipient shall keep such records as may be necessary to inform LSC of the specific facts and factors relied on to make such a determination. *See* 45 CFR § 1611.5(b) and CSR Handbook (2008 Ed., as amended 2011), § 5.3.

For CSR purposes, individuals financially ineligible for assistance under the LSC Act may not be regarded as recipient "clients" and any assistance provided should not be reported to LSC. In addition, recipients should not report cases lacking documentation of an income eligibility determination to LSC. However, recipients should report all cases in which there has been an income eligibility determination showing that the client meets LSC eligibility requirements, regardless of the source(s) of funding supporting the cases, if otherwise eligible and properly documented. *See* CSR Handbook (2008 Ed., as amended 2011), § 4.3.

There were eight (8) sampled cases reviewed that failed to contain the required income eligibility documentation pursuant to 45 CFR § 1611.4, CSR Handbook (2008 Ed., as amended 2011), § 5.3, and applicable LSC instructions for clients whose income exceeds 125% of the FPG. *See e.g.* Open Case No. 06E-15186730 (This is an LSC funded immigration case where the client's income exceeded 125% but was below 200% of the FPG; however, there were no exceptions listed in the case file); Closed 2014 Case No. 14-1151696 (This is a courthouse self-help center case that was listed as CSR Reportable where the client was not screened for income or assets. LAF deselected the case during the review ensuring it will not be reported to LSC); and Open Case No. 11-1067239 (This is an LSC-funded consumer case where the client's income was 204% of the applicable annual income level and no exceptions were noted.)

Based on case sampling, LAF evidenced substantial compliance with 45 CFR § 1611.4, CSR Handbook (2008 Ed., as amended 2011), § 5.3, and applicable LSC instructions for clients whose income exceeds 125% of the FPG.

LAF's income policy was reviewed and LAF was informed that their policy was not fully compliant with the requirements of 45 CFR Part 1611. All deficiencies were reviewed and explained to LAF management during the review. For example, the procedures manual did not specifically list the factors that may be taken into consideration for accepting cases where the applicant's income exceeds 125% but is at or below 150% of FPG (based on LAF's policy) in accordance with the requirements of 45 CFR § 1611.3(c). LAF management stated that they would revise the policy so that it is in full compliance with the requirements of 45 CFR Part 1611.

By e-mail dated June 20, 2014, OCE was informed that the policy had been revised and was approved by the Board of Director's on May 27, 2014. The revised policy was provided for review and found to be compliant.

There are no recommendations or required corrective actions.

Finding 4: Review of the recipient's sampled cases evidenced substantial compliance with the asset eligibility documentation requirements of 45 CFR §§ 1611.3(c) and (d) and CSR Handbook (2008 Ed., as amended 2011), § 5.4. However, LAF's asset policy required minor revision to be compliant with 45 CFR Part 1611.

As part of its financial eligibility policies, recipients are required to establish reasonable asset ceilings in order to determine an applicant's eligibility to receive legal assistance. *See* 45 CFR § 1611.3(d)(1). For each case reported to LSC, recipients must document the total value of assets except for categories of assets excluded from consideration pursuant to its Board-adopted asset eligibility policies.⁹ *See* CSR Handbook (2008 Ed., as amended 2011), § 5.4. In the event that a recipient authorizes a waiver of the asset ceiling due to the unusual circumstances of a specific applicant, the recipient shall keep such records as may be necessary to inform LSC of the reasons relied on to authorize the waiver. *See* 45 CFR § 1611.3(d)(2).

The revisions to 45 CFR Part 1611 changed the language regarding assets from requiring the recipient's governing body to establish, "specific and reasonable asset ceilings, including both liquid and non-liquid assets," to "reasonable asset ceilings for individuals and households." *See* 45 CFR § 1611.6 in prior version of the regulation and 45 CFR § 1611.3(d)(1) of the revised regulation. Both versions allow the policy to provide for authority to waive the asset ceilings in unusual or meritorious circumstances. The older version of the regulation allowed such a waiver only at the discretion of the Executive Director. The revised version allows the Executive Director or his/her designee to waive the ceilings in such circumstances. *See* 45 CFR § 1611.6(e) in prior version of the regulation and 45 CFR § 1611.3(d)(2) in the revised version. Both versions require that such exceptions be documented and included in the clients' files.

As stated above, LAF's asset policy is also found in their CSU procedural manual in the section titled "Financial Eligibility for Assistance (LSC Eligibility and Exceptions)." It establishes an asset ceiling of \$8,000. Exempt from consideration is the house or building of the applicant's primary residence, one vehicle, retirement accounts, life insurance cash value, burial plots, the first \$4,000 of household goods, and any assets to which the applicant does not have access. The exemptions listed are not in compliance with the requirements of 45 CFR § 1611.3(d)(1). This issue was brought to LAF's attention during the review and LAF indicated it would make the necessary revision in order to satisfy the requirements of 45 CFR § 1611.3(d)(1). As a required corrective action, LAF must submit to LSC a copy of its revised board approved financial eligibility policy that specifically complies with 45 CFR § 1611.3(d)(1).

Additionally, as noted above in Finding No. 2, there were compliance issues related to asset screening. These issues were evident in the 2012 CSU closed cases as there were 12 sampled cases which evidenced that CSU intake staff utilized defaults in the asset fields in non-compliance with Program Letter 02-06 and the CSR Handbook (2008 Ed., as amended 2011), § 3.6. *See* Closed 2012 Case Nos. 12-1111318, 12-1122149, 12-1124923, 12-1110551, 12-

⁹ A numerical total value must be recorded, even if it is zero or below the recipient's guidelines. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.4.

1113241, 12-1106414, 12-1104636, 12-1107518, 12-1123952, 12-1123360, 12-1114894, and 12-1114904. According to LAF, the default was removed from the ACMS in 2013 and, accordingly, the exceptions were not evidenced during review of the 2013 and 2014 case files.

With two (2) exceptions, sampled case files reviewed contained the required documentation to comply with LSC's asset eligibility requirements. *See* Closed 2014 Case No. 14-1151696 (This is a courthouse self-help center case that was listed as CSR Reportable where the client was not screened for income and assets. LAF deselected the case during the review ensuring the case will not be reported to LSC); and Closed 2012 Case No. 07-81222327 (This is a case where income was noted; however, the asset field was blank).

LAF is in substantial compliance with the asset eligibility documentation requirements of 45 CFR §§ 1611.3(c) and (d) and CSR Handbook (2008 Ed., as amended 2011), § 5.4.

LAF was informed that it should revise their asset policy so that the items listed as excluded assets are in compliance with 45 CFR § 1611.3(d)(1).

By e-mail dated June 20, 2014, OCE was informed that the policy had been revised and approved by the Board of Directors on May 27, 2014. The revised policy was provided to OCE and reviewed for compliance. LAF was informed of a few additional required changes. The required changes were subsequently made and a new policy was submitted to LSC for review on April 28, 2015, and found to be compliant.

Finding 5: Review of the sampled cases evidenced non-compliance with the documentation requirements of 45 CFR Part 1626 (Restrictions on legal assistance to aliens) as there were 30 cases that failed to have a citizenship attestation when required.

The level of documentation necessary to evidence citizenship or alien eligibility depends on the nature of the services provided. With the exception of brief advice or consultation by telephone, which does not involve continuous representation, LSC regulations require that all applicants for legal assistance who claim to be citizens execute a written attestation. *See* 45 CFR § 1626.6. Aliens seeking representation are required to submit documentation verifying their eligibility. *See* 45 CFR § 1626.7. In those instances involving brief advice and consultation by telephone, which does not involve continuous representation, LSC has instructed recipients that the documentation of citizenship/alien eligibility must include a written notation or computer entry that reflects the applicant's oral response to the recipient's inquiry regarding citizenship/alien eligibility. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.5; *See also* LSC Program Letter 99-3 (July 14, 1999). In the absence of the foregoing documentation, assistance rendered may not be reported to LSC. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.5.

Prior to 2006, recipients were permitted to provide non-LSC funded legal assistance to an alien who had been battered or subjected to extreme cruelty in the United States by a spouse or parent, or by a member of the spouse's or parent's family residing in the same household, or an alien whose child had been battered or subjected to such cruelty.¹⁰ Although non-LSC funded legal

¹⁰ *See* Kennedy Amendment at 45 CFR § 1626.4.

assistance was permitted, such cases could not be included in the recipient's CSR data submission. In January 2006, the Kennedy Amendment was expanded and LSC issued Program Letter 06-2, "Violence Against Women Act 2006 Amendment" (February 21, 2006), which instructs recipients that they may use LSC funds to provide legal assistance to ineligible aliens, or their children, who have been battered, subjected to extreme cruelty, is the victims of sexual assault or trafficking, or who qualify for a "U" visa. LSC recipients are now allowed to include these cases in their CSRs.

There were 30 sampled cases that failed to have a signed and dated citizenship attestation when required. *See e.g.*, Closed 2014 Case No. 14-1151696 (This is a courthouse self-help case where the client was not screened. LAF deselected the case during the review); Closed 2013 Case No. 13-1144955 (This is an immigration case where the client came to LAF's office to drop-off paperwork for the case handler to review, however, no citizenship attestation was obtained). *See also* Closed 2013 Case Nos. 12-1107093, 12-1106082, 13-1128700, and Closed 2012 Case Nos. 12-1119678, 12-1110577, 12-1105395, and 12-1115712. LAF requires that all staff scan and upload LSC compliance-related documents (e.g., citizenship attestations and retainer agreements) directly into the ACMS. The review demonstrated that the uploading of documentation to the ACMS is not being conducted on a consistent basis. LAF should conduct periodic reviews of its cases to determine that all the required documentation is being scanned and uploaded to the ACMS to prevent possible compliance issues in the future.

Additionally, there were four (4) cases reviewed that contained the appropriate alien eligibility documentation, however, there was no date noted in the case files indicating when the documentation was obtained. *See* Closed 2014 Case No. 12-1116055, Closed 2013 Case Nos. 13-113211 and 13-1140423, and Closed 2012 Case No. 12-1104744.

As such, sampled cases evidenced non-compliance with both the restrictions in 45 CFR Part 1626 and the documentation requirements of 45 CFR Part 1626 and the CSR Handbook (2008 Ed.), § 5.5.

LAF must ensure that all cases contain a signed citizenship attestation when required. LAF must also ensure that all documentation of alien eligibility is dated accordingly.

In its response to the DR, LAF stated that this requirement is now reflected in LAF's policies and procedures and that staff has been instructed to adhere to it. On or before July 13, 2014, LAF created a report in LegalServer that allows supervisors to review cases in LegalServer and note whether all LSC-required documents have been uploaded to the electronic file. If any documents are found to be missing or not uploaded, the supervisor will direct the case handler to correct the deficiency. *See* March 24, 2015 Letter, Attachment 10, including screenshot.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

Finding 6: Review of the sampled cases evidenced substantial compliance with the retainer requirements of 45 CFR § 1611.9 (Retainer agreements).

Pursuant to 45 CFR § 1611.9, recipients are required to execute a retainer agreement with each client who receives extended legal services from the recipient. The retainer agreement must be in a form consistent with the applicable rules of professional responsibility and prevailing practices in the recipient's service area and shall include, at a minimum, a statement identifying the legal problem for which representation is sought, and the nature of the legal service to be provided. *See* 45 CFR § 1611.9(a).

The retainer agreement is to be executed when representation commences or as soon thereafter is practical and a copy is to be retained by the recipient. *See* 45 CFR §§ 1611.9(a) and (c). The lack of a retainer does not preclude CSR reporting eligibility.¹¹ Cases without a retainer, if otherwise eligible and properly documented, should be reported to LSC.

There were eight (8) cases reviewed that failed to have a signed retainer agreement, where required. *See e.g.*, Open Case Nos. 06E-15186730 and 08-625049 and Closed 2013 Case No. 12-1106082. Additionally, there were four (4) cases where the scope and subject matter were not completed. *See* Closed 2012 Case Nos. 12-1115308 and 12-1105008 and Closed 2013 Case Nos. 13-1133174 and 13-1131770. There was also one (1) case in which a retainer agreement was not executed by the program. *See* Closed 2012 Case No. 12-1105760. As such, LAF is in substantial compliance with 45 CFR § 1611.9 regarding retainer agreements.

It was recommended that LAF review all case files required to have a retainer agreement to verify that all agreements are properly executed and included in the case file, when required, and contain a detailed scope and subject matter of the representation.

In its response to the DR, LAF stated that it has already created in LegalServer a mechanism for supervisors to ensure that all the LSC-required documents, including a properly completed retainer, are uploaded into the electronic client file. LAF further stated that once a supervisor is satisfied that the required documents are uploaded, he or she checks a box in LegalServer indicating that the review is complete. Cases with unchecked boxes can be extracted for follow-up.

Finding 7: Review of the sampled cases evidenced non-compliance with the requirements of 45 CFR Part 1636 (Client identity and statement of facts).

LSC regulations require that recipients identify by name each plaintiff it represents in any complaint it files, or in a separate notice provided to the defendant, and identify each plaintiff it represents to prospective defendants in pre-litigation settlement negotiations. In addition, the regulations require that recipients prepare a dated, written statement signed by each plaintiff it represents, enumerating the particular facts supporting the complaint. *See* 45 CFR §§ 1636.2(a) (1) and (2).

¹¹ However, a retainer is more than a regulatory requirement. It is also a key document clarifying the expectations and obligations of both client and program, thus assisting in a recipient's risk management.

The statement is not required in every case. It is required only when a recipient files a complaint in a court of law or otherwise initiates or participates in litigation against a defendant, or when a recipient engages in pre-complaint settlement negotiations with a prospective defendant. *See* 45 CFR § 1636.2(a).

Two (2) case files reviewed were found not to contain the statement of facts as required by 45 CFR Part 1636. *See* Closed 2013 Case No. 12-1113224 and Closed 2012 Case No. 09E-34273036.

LAF should ensure that all cases are compliant with the documentation requirements of 45 CFR Part 1636.

In its response to the DR, LAF stated that staff has been instructed to ensure that there is a signed statement of facts signed by the client in every case where an affirmative claim is filed or where LAF attempts to resolve an affirmative claim during pre-litigation settlement negotiations with a prospective defendant. LAF further stated that it believes that having the client sign and date a copy of the proposed complaint satisfies this requirement.

Additionally, on or before July 13, 2014, LAF created a report in LegalServer that allows supervisors to review cases in the system and note whether all LSC-required documents have been uploaded to the file. If the documents have not been uploaded, the supervisor instructs the case handler to obtain and upload them. *See* March 24, 2015, Letter, Attachment 10, including screenshot.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

Finding 8: Review of the LAF's policies and sampled cases, as well as interviews evidenced substantial compliance with the requirements of 45 CFR § 1620.3(a) and § 1620.6(c) (Priorities in use of resources).

LSC regulations require that recipients adopt a written statement of priorities that determines the cases which may be undertaken by the recipient, regardless of the funding source. *See* 45 CFR § 1620.3(a). Except in an emergency, recipients may not undertake cases outside its priorities. *See* 45 CFR § 1620.6.

Prior to the review, LAF provided OCE with a copy of its priorities for review. LAF's priority goals for low-income people are to provide support for families, preserve the home, maintain economic stability, provide safety, stability and health, and assist populations with special vulnerabilities.

LAF is in substantial compliance with 45 CFR Part 1620. None of the sampled files reviewed revealed cases that were outside of LAF's priorities. However, as noted in Finding No. 2 "The Judge William J. Hibbler Memorial Pro Se Assistance Program" is not screening for priorities

and accepts any cases, including potential non-priority cases, such as those involving maritime law.

Additionally, LAF policies implementing Part 1620 were reviewed and found to be substantially compliant with the regulations. However, it was recommended that the policy be revised to also include the following items: (1) a provision for quarterly reports to Board regarding emergency cases (§ 1620.7(a)); (2) a provision for an annual report to LSC on emergency cases (§ 1620.7(b)); and (3) a provision for signed written agreements for all staff (§ 1620.6).

In its response to the DR, LAF stated that the policy for Part 1620 had been revised and was submitted to the OCE Team. LAF indicated that all case handlers have been asked to sign an agreement to be bound by LAF's Priorities and that the signed agreements are maintained in their personnel files.

Finding 9: Review of the sampled cases evidenced substantial compliance with CSR Handbook (2008 Ed., as amended 2011), § 5.6 (Description of legal assistance provided).

LSC regulations specifically define "case" as a form of program service in which the recipient provides legal assistance. *See* 45 CFR §§ 1620.2(a) and 1635.2(a). Consequently, whether the assistance that a recipient provides to an applicant is a "case", reportable in the CSR data, depends, to some extent on whether the case is within the recipient's priorities and whether the recipient has provided some level of legal assistance, limited or otherwise.

If the applicant's legal problem is outside the recipient's priorities, or if the recipient has not provided any type of legal assistance, it should not report the activity in its CSR. For example, recipients may not report the mere referral of an eligible client as a case when the referral is the only form of assistance that the applicant receives from the recipient. *See* CSR Handbook (2008 Ed., as amended 2011), § 7.2.

Recipients are instructed to record client *and* case information, either through notations on an intake sheet or other hard-copy document in a case file, or through electronic entries in an ACMS database, or through other appropriate means. For each case reported to LSC such information shall, at a minimum, describe, *inter alia*, the level of service provided. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.6.

With the exception of 12 cases, sampled cases evidenced compliance with CSR Handbook (2008 Ed., as amended 2011), § 5.6. *See e.g.*, Closed 2013 Case No. 13-1136346 (This is an immigration case where the case handler informed the client to contact a private attorney. No advice was provided); Closed 2013 Case No. 13-1138287 (No advice was documented in the case file); Closed 2013 Case No. 12-1121080 (This is an immigration case where the case handler informed the client to contact an outside agency. No advice was documented in the case file); Closed 2013 Case No. 13-1137999 (This is an immigration case where the case handler informed the client to contact an outside agency. No advice was documented in the case file); and Closed 2013 Case No. 13-1137338 (This is an immigration case where the case handler informed the client to contact an outside agency. No advice was documented in the case file.)

LAF is in substantial compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 5.6.

It is recommended that LAF review all case files prior to file closing to ensure that the legal assistance provided is properly documented. Additionally, case files lacking documented legal assistance should not be reported to LSC during the CSR data submission.

In its response to the DR, LAF stated that supervisors are reviewing cases before they are closed to ensure that the legal assistance provided is properly documented. LAF indicated that cases that have been closed without such documentation will not be reported to LSC in its CSRs.

LAF further stated that the requirement that legal assistance be properly documented in LegalServer is emphasized in numerous ways. First, LAF stated it is part of the initial orientation case handling staff receives on using LegalServer. Second, LAF highlights the requirement during their annual self-inspection. Third, LAF's Power Point presentation, provided to practice group directors, supervisors, and staff on March 24, 2015, reflects the same requirements. *See* March 24, 2015, Letter Attachment 3. A document summarizing the PowerPoint presentation was sent to all staff in June 2014.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

Finding 10: Review of the sampled cases evidenced that LAF's application of the CSR case closure and problem code categories is substantially compliant with Chapters VIII and IX, CSR Handbook (2008 Ed., as amended 2011). There were limited patterns of error noted in the sampled files.

The CSR Handbook defines the categories of case service and provides guidance to recipients on the use of the closure codes in particular situations. Recipients are instructed to report each case according to the type of case service that best reflects the level of legal assistance provided. *See* CSR Handbook (2008 Ed., as amended 2011), § 6.1.

The files reviewed demonstrated that LAF's application of the CSR case closing categories is inconsistent with Chapters VIII and IX, CSR Handbook (2008 Ed, as amended 2011). There were numerous instances of case closing code errors; however no patterns of error were identified during the review. *See e.g.*, Closed 2013 Case No. 13-1131366 (This is an immigration case that was closed with the closing code F (Negotiated Settlement Without Litigation). The documentation in the case file indicated that only advice was provided and a letter was drafted for the client; therefore, the applicable closing code is A (Counsel and Advice); Closed 2012 Case No. 12-1115308 (This is an immigration case that was closed with the closing code L (Extensive Service). The documentation in the case file indicated that the attorney only made two (2) phone calls on the client's behalf; therefore, B (Limited Action) is the applicable closing code); Closed 2013 Case No. 13-1135356 (This is a housing case that was closed with the closing code K (Other). The documentation in the case file indicated that the client failed to

show for an appointment and the case should have been deselected); and Closed 2012 Case No. 12-1112309 (This is a housing case that was closed with the closing code A (Counsel and Advice). The documentation in the case file indicated that the attorney contacted the opposing party in the case; therefore closing code B (Limited Action) is the applicable closing code).

LAF's application of the CSR case closure categories is substantially compliant with Chapters VIII and IX, CSR Handbook (2008 Ed., as amended 2011).

Although no patterns of errors were identified, it was recommended that LAF conduct periodic, program-wide staff training to ensure proper application of the CSR case closure categories.

In its response to the DR, LAF stated that it had already done some training on CSR case closing categories and that it intended to do more. LAF further stated that it has also emphasized the importance of distinguishing between case closure categories B (Limited Action) and L (Extensive Service).

Finding 11: Review of the sampled cases evidenced substantial compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.3 (dormancy and untimely closure of cases).

To the extent practicable, programs shall report cases as having been closed in the year in which assistance ceased, depending on case type. Cases in which the only assistance provided is counsel and advice, limited action, or a referred after legal assessment (CSR Categories, A, B, and C), should be reported as having been closed in the year in which the counsel and advice, limited action, or referral was provided. There is, however, an exception for cases opened after September 30, and those cases containing a determination to hold the file open because further assistance is likely. *See* CSR Handbook (2008 Ed., as amended 2011), § 3.3(a). All other cases (CSR Categories D through K, 2001 CSR Handbook and F through L, 2008 CSR Handbook) should be reported as having been closed in the year in which the recipient determines that further legal assistance is unnecessary, not possible or inadvisable, and a closing memorandum or other case-closing notation is prepared. *See* CSR Handbook (2008 Ed., as amended 2011), § 3.3(b). Additionally LSC regulations require that systems designed to provide direct services to eligible clients by private attorneys must include, among other things, case oversight to ensure timely disposition of the cases. *See* 45 CFR § 1614.3(d)(3).

With the exception of nine (9) cases, sampled cases reviewed evidenced compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.3. *See e.g.*, Open Case No. 06E-15186730 (This is an immigration case that was opened on October 27, 2006. The last activity in the case was a settlement agreement on May 2, 2013. There is no indication that the case should have remained open into the 2014 reporting year); Closed 2013 Case No. 12-1107093 (This is an immigration case where the last legal activity in the case file was July 2012. The next contact with the client was May 2013 to inform her that LAF was closing her case); and Open Case No. 00-52-06287 (This is an open case transferred to Children and Families unit in 2013 where the last documented casework noted was in 2009. LAF deselected the case during the on-site review, ensuring that this case will not be reported to LSC.)

LAF is in substantial compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.3.

There are no recommendations or required corrective actions.

In its response to the DR, LAF did not comment on this Finding.

Finding 12: Review of the sampled cases evidenced substantial compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.2 regarding duplicate cases.

Through the use of automated case management systems and procedures, recipients are required to ensure that cases involving the same client and specific legal problem are not recorded and reported to LSC more than once. *See* CSR Handbook (2008 Ed., as amended 2011), § 3.2.

When a recipient provides more than one type of assistance to the same client during the same reporting period, in an effort to resolve essentially the same legal problem, as demonstrated by the factual circumstances giving rise to the problem, the recipient may report only the highest level of legal assistance provided. *See* CSR Handbook (2008 Ed., as amended 2011), § 6.2.

When a recipient provides assistance more than once within the same reporting period to the same client who has returned with essentially the same legal problem, as demonstrated by the factual circumstances giving rise to the problem, the recipient is instructed to report the repeated instances of assistance as a single case. *See* CSR Handbook (2008 Ed., as amended 2011), § 6.3. Recipients are further instructed that related legal problems presented by the same client are to be reported as a single case. *See* CSR Handbook (2008 Ed., as amended 2011), § 6.4.

With the exception of five (5) sampled cases, LAF evidenced compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.2 regarding duplicate cases. *See e.g.*, Closed 2013 Case No. 12-1124639 (This is a housing case which was a duplicate of Closed Case No 12-1120380. According to the notes in the case file, LAF's attorney reached a settlement agreement with the opposing party and closed the case. Concerned that the terms of the agreement would not be upheld, LAF's attorney opened a new case in the same reporting year. No additional action was required or was conducted by LAF's attorney and the case was closed); Closed 2013 Case No. 13-1130772 (This is a duplicate case of Closed 2013 Case No. 13-1128989. According to the notes in the case file, this is the same client with same problem (homeownership collections); and Closed 2013 Case No. 13-1137782 (This case was a duplicate of Closed 2013 Case No. 13-1149818. Case notes indicated the same client with hyphenated name and same problem code on the closed case list.)

It was recommended that LAF develop measures for checks and balances in its electronic filing or other tickler system to ensure that it reports repeated instances of assistance to a client as a single case.

In its response to the DR, LAF stated that it detects and corrects duplicate cases by running ACMS reports of potential duplicate cases and, if duplicates are identified, advocates are asked to close one (1) of the cases utilizing an “X” case closure category to remove it from CSR reporting.

Finding 13: Review of the LAF’s policies and timekeeping records, and interviews with full-time attorneys who have engaged in the outside practice of law, evidenced non-compliance with the requirements of 45 CFR Part 1604 (Outside practice of law), as the policy required modification and LAF’s recordkeeping needed improvement.

This part is intended to provide guidance to recipients in adopting written policies relating to the outside practice of law by recipients’ full-time attorneys. Under the standards set forth in this part, recipients are authorized, but not required, to permit attorneys, to the extent that such activities do not hinder fulfillment of their overriding responsibility to serve those eligible for assistance under the Act, to engage in pro bono legal assistance and comply with the reasonable demands made upon them as members of the Bar and as officers of the Court.

Prior to the compliance review, LAF provided OCE with a copy of its policy governing the outside practice of law by full-time attorneys employed with LAF. The policy did not contain adequate procedures to fully comply with the requirements of 45 CFR Part 1604.

Review of LAF’s policy and procedures determined that they are non-compliant with the requirements of 45 CFR Part 1604. The deficiencies in the 45 CFR Part 1604 were discussed in detail with LAF management. LAF management stated that they would rewrite the policy so that it is fully compliant with the requirements of 45 CFR 1604. Through on-site sampling of five (5) attorneys who had received permission from the Executive Director related to the outside practice of law, there were no instances identified where the attorney had used program resources or conducted this activity during a time while they were compensated by LAF.

It is noted that the records maintained by LAF identified the date where the Executive Director gave approval, but did not identify the date or dates when the outside practice of law occurred. It was recommended that LAF maintain records in a manner which captures the date(s) when its attorneys engage in the outside practice of law. The Executive Director appeared agreeable to this recommendation.

In its response to the DR, LAF stated that it now requires attorneys engaged in the outside practice of law (with the Executive Director’s approval) to keep separate time records for their work in those cases.

Additionally, as a required corrective action LAF must revise their Outside Practice of Law policy so that it is fully compliant with the requirements of 45 CFR Part 1604.

In its response to the DR, LAF noted that a revised policy was submitted to the OCE Team before the DR was received. In addition, LAF has adopted a timekeeping sheet on which a

lawyer whose outside practice has been approved is to document when and where the work was performed.

The revised policy and the new accompanying forms have been reviewed and are compliant with the requirements of 45 CFR Part 1604.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

Finding 14: A limited review of fiscal documents, sampled cases, and public materials, as well as interviews with management and staff, evidenced compliance with the requirements of 45 CFR Part 1608 (Prohibited political activities).

LSC regulations prohibit recipients from expending grants funds or contributing personnel or equipment to any political party or association, the campaign of any candidate for public or party office, and/or for use in advocating or opposing any ballot measure, initiative, or referendum. See 45 CFR Part 1608.

A comprehensive review of LAF's pamphlets, brochures, flyers, etc. and an inspection of waiting areas and other public spaces in LAF's offices were conducted to assess compliance with 45 CFR Part 1608. The majority of the materials displayed at each office visited were informational flyers produced by the recipient providing landlord-tenant or debt collection information. In addition, the offices also displayed pamphlets from public service and other entities regarding subject matter such as marriage and family counseling, consumer credit counseling, and domestic violence assistance. Bulletin boards and other depictions in the offices' public space were reviewed. The materials were found to be free of any prohibited political message, expression, symbol, image, or allusion, and in compliance with 45 CFR Part 1608.

A limited review of the vendor list, chart of accounts, cash receipts and cash disbursement journals, general ledger, trial balance reports, and LAF's personnel manual demonstrated that, for the years of 2011, 2012, and 2013, LAF did not appear to have expended LSC grant funds, personnel, or equipment for prohibited political activities. LAF, therefore, appears to be in compliance with 45 CFR § 1608.3(b).

A limited fiscal review, as well as review of sampled cases, disclosed no evidence that staff, while engaged in legal assistance activities supported under the Act, engaged in any political activity, provided voters with transportation to the polls, or provided similar assistance in connection with an election or voter registration activity. Finally, interviews with management disclosed no evidence that LAF employees have intentionally supported or identified LAF with any partisan or nonpartisan political activity, or with the campaign of any candidate for public or party office.

Based on the cases and other materials reviewed, as well as interviews conducted, LAF appeared to be in compliance with the requirements of 45 CFR Part 1608.

There are no recommendations or required corrective actions.

In its response to the DR, LAF did not comment on this Finding.

Finding 15: Review of LAF's policies and sampled files, as well as interviews with management and staff, evidenced compliance with the documentation requirements of 45 CFR Part 1609 (Fee-generating cases).

Except as provided by LSC regulations, recipients may not provide legal assistance in any case which, if undertaken on behalf of an eligible client by an attorney in private practice, reasonably might be expected to result in a fee for legal services from an award to the client, from public funds or from the opposing party. *See* 45 CFR §§ 1609.2(a) and 1609.3.

Recipients may provide legal assistance in such cases where the case has been rejected by the local lawyer referral service, or two (2) private attorneys; neither the referral service nor two (2) private attorneys will consider the case without payment of a consultation fee; the client is seeking, Social Security, or Supplemental Security Income benefits; the recipient, after consultation with the private bar, has determined that the type of case is one that private attorneys in the area ordinarily do not accept, or do not accept without pre-payment of a fee; the Executive Director has determined that referral is not possible either because documented attempts to refer similar cases in the past have been futile, emergency circumstances compel immediate action, or recovery of damages is not the principal object of the client's case and substantial attorneys' fees are not likely. *See* 45 CFR §§ 1609.3(a) and 1609.3(b).

LSC has also prescribed certain specific recordkeeping requirements and forms for fee-generating cases. The recordkeeping requirements are mandatory. *See* LSC Memorandum to All Program Directors (December 8, 1997).

In light of recent regulatory changes, LSC has prescribed certain specific requirements for fee-generating cases. *See* Program Letters 09-3 (December 17, 2009) and 10-1 (February 18, 2010). LSC has determined that it will not take enforcement action against any recipient that filed a claim for, or collected or retained attorneys' fees during the period of December 16, 2009 through March 15, 2010. Enforcement activities related to claims for attorneys' fees filed prior to December 16, 2009, or fees collected or retained prior to December 16, 2009, are no longer suspended and any violations which are found to have occurred prior to December 16, 2009 will subject the grantee to compliance and enforcement action. Additionally, the regulatory provisions regarding accounting for and use of attorneys' fees and acceptance of reimbursement from clients remain in force, and violations of those requirements, regardless of when they have occurred, will subject the grantee to compliance and enforcement action.

LAF maintains its Fee-Generating Cases policy in the LAF Policy Manual. This policy described the regulatory prohibition towards providing legal assistance in fee-generating cases under 45 CFR Part 1609, exceptions to the fee-generating case prohibition, and LAF's policy and procedures related to fee-generating cases. Additionally, in conformance with the requirements of 45 CFR § 1609.4(a), LAF maintains its Allocation of Derivative Income policy which states

that the Controller shall account for attorneys' fee awards received as the result of judgment, court order, or settlement of cases and these awards are to be allocated to LSC funds in the same proportion that the amount of LSC funds was used to support the representation.

During the OCE on-site review, a sample was conducted of three (3) cash receipts of attorneys' fees. In each case, it was determined that the attorneys' fees received by LAF were fully allocated to LSC. In discussions with LAF's Chief Financial Officer ("CFO"), he confirmed that the program allocates to LSC at least as much as required by LAF's policy and by 45 CFR § 1609.4. He added that, in many cases, LAF chooses to allocate all awards received from attorneys' fees to LSC.

Finally, none of the sampled files reviewed, as well as interviews with members of management and staff, evidenced legal assistance with respect to fee-generating cases.

As such, LAF appeared to be in compliance with the requirements of 45 CFR Part 1609.

There are no recommendations or required corrective actions.

In its response to the DR, LAF did not comment on this Finding.

Finding 16: A limited review of LAF's accounting and financial records evidenced that it appears to be in substantial compliance with 45 CFR Part 1610 (Use of non-LSC funds, transfer of LSC funds, program integrity); however, LAF should make improvements in order to become fully compliant with CFR § 1610.5 (Notification).

Part 1610 was adopted to implement Congressional restrictions on the use of non-LSC funds and to assure that no LSC funded entity engage in restricted activities. Essentially, recipients may not themselves engage in restricted activities, transfer LSC funds to organizations that engage in restricted activities, or use its resources to subsidize the restricted activities of another organization.

The regulations contain a list of restricted activities. *See* 45 CFR § 1610.2. They include lobbying, participation in class actions, representation of prisoners, legal assistance to aliens, drug related evictions, and the restrictions on claiming, collecting or retaining attorneys' fees. Recipients are instructed to maintain objective integrity and independence from any organization that engages in restricted activities. In determining objective integrity and independence, LSC looks to determine whether the other organization receives a transfer of LSC funds, and whether such funds subsidize restricted activities, and whether the recipient is legally, physically, and financially separate from such organization.

Whether sufficient physical and financial separation exists is determined on a case by case basis and is based on the totality of the circumstances. In making the determination, a variety of factors must be considered. The presence or absence of any one or more factors is not determinative. Factors relevant to the determination include:

- i. the existence of separate personnel;
- ii. the existence of separate accounting and timekeeping records;
- iii. the degree of separation from facilities in which restricted activities occur, and the extent of such restricted activities; and
- iv. the extent to which signs and other forms of identification distinguish the recipient from the other organization.

See 45 CFR § 1610.8(a); *see also*, OPO Memo to All LSC Program Directors, Board Chairs (October 30, 1997).

Recipients are further instructed to exercise caution in sharing space, equipment and facilities with organizations that engage in restricted activities. Particularly if the recipient and the other organization employ any of the same personnel or use any of the same facilities that are accessible to clients or the public. But, as noted previously, standing alone, being housed in the same building, sharing a library or other common space inaccessible to clients or the public may be permissible as long as there is appropriate signage, separate entrances, and other forms of identification distinguishing the recipient from the other organization, and no LSC funds subsidize restricted activity. Organizational names, building signs, telephone numbers, and other forms of identification should clearly distinguish the recipient from any organization that engages in restricted activities. *See* OPO Memo to All LSC Program Directors, Board Chairs (October 30, 1997).

While there is no *per se* bar against shared personnel, generally speaking, the more shared staff, or the greater their responsibilities, the greater the likelihood that program integrity will be compromised. Recipients are instructed to develop systems to ensure that no staff person engages in restricted activities while on duty for the recipient, or identifies the recipient with any restricted activity. *See* OPO Memo to All LSC Program Directors, Board Chairs (October 30, 1997).

LAF did not appear to be engaged in any restricted activities which would present 45 CFR Part 1610 compliance issues based upon a limited review of trial balances for the review period, its chart of accounts, its vendor's list, observation of the physical location of the offices, and staff interviews.

However, a limited review of LAF's financial records disclosed non-compliance with 45 CFR § 1610.5. While the program provided funding notification letters to donors of \$250 and over, it was determined that LAF did not provide its other non-LSC funding sources (grantors) with the written notification of the prohibitions and conditions which apply to the funds, as required by 45 CFR § 1610.5(a).

LSC regulation 45 CFR § 1610.5 Notification states:

- a) Except as provided in paragraph (b) of this §, no recipient may accept funds from any source other than the Corporation, unless the recipient provides to the source of the funds written notification of the prohibitions and conditions which apply to the funds.

b) A recipient is not required to provide such notification for receipt of contributions of less than \$250

Further clarification is provided in the Final Rule covering 45 CFR Part 1610, Use of Non-LSC Funds, Transfers of LSC Funds, Program Integrity published in 27696 Federal Register, Vol. 62, No. 98, Wednesday, May 21, 1997. The Final Rule states, in part:

Generally, notification should be provided before the recipient accepts the funds. Thus, notice should be given during the course of soliciting funds or applying for a grant or contract. However, for unsolicited donations where advance notice is not feasible, notice should be given in the recipient's letter acknowledging the contribution... The notice requirement applies to funds received by recipients as grants, contracts or charitable donations from funders other than the Corporation, which are intended to fund the nonprofit work of the recipient. It does not include funds received from sources such as court payment to attorneys for their work under court appointments; nor does it include payments to the recipient for rent, bank interest, or sale of goods, such as manuals.

The program has established a process to provide required written notification to its individual contributors. LAF sends individual donors a thank you letter which includes the notification required under 45 CFR § 1610.5(a). A limited review of donor notification letters for contributions of \$250 during the review period revealed no exceptions.

In discussions with LAF's CFO, it was determined that the program does not provide its non-LSC funding sources, which provide grant support, with the written notification of the prohibitions and conditions which apply to the funds, as required by 45 CFR § 1610.5(a). The CFO advised that instead of providing the required disclosure to each funder, it is placed on LAF's internet site. Upon review, it was determined that it does not satisfy the 45 CFR § 1610.5(a) requirement to provide the disclosure to LAF's non-LSC grants, as there was no basis to determine that those funding sources looked on LAF's web site. LAF's CFO advised that the program will change its procedures if requested by LSC.

As a required corrective action, LAF must implement procedures to ensure that notification of the prohibitions and conditions which apply to the funds received is provided all donors and non-LSC funding sources of \$250 and over as required under 45 CFR § 1610.5(a).

In its response to the DR, LAF stated that it provides the required notification to all of its donors regardless of the amount of the donation. LAF provides similar notice to grantors, contemporaneous to its grant applications. Since many of those applications are now on-line, LAF sends a separate letter to funders who utilize on-line applications.

A sample letter was provided to LSC for review and it was found to be compliant.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

Finding 17: LAF was in compliance with former 45 CFR §§ 1614.3(a), (b), (c), and (d) which is designed to ensure that recipients of LSC funds involve private attorneys in the delivery of legal assistance to eligible clients.¹²

LSC regulations require LSC recipients to devote an amount of LSC and/or non-LSC funds equal to 12.5% of its LSC annualized basic field award for the involvement of private attorneys in the delivery of legal assistance to eligible clients. This requirement is referred to as the "PAI" or Private Attorney Involvement requirement.

Activities undertaken by the recipient to involve private attorneys in the delivery of legal assistance to eligible clients must include the direct delivery of legal assistance to eligible clients. The regulation contemplates a range of activities, and recipients are encouraged to assure that the market value of PAI activities substantially exceed the direct and indirect costs allocated to the PAI requirement. The precise activities undertaken by the recipient to ensure private attorney involvement are, however, to be determined by the recipient, taking into account certain factors. *See* 45 CFR §§ 1614.3(a), (b), (c), and (e)(3). The regulations, at 45 CFR § 1614.3(e)(2), require that the support and expenses relating to the PAI effort must be reported separately in the recipient's year-end audit. The term "private attorney" is defined as an attorney who is not a staff attorney. *See* 45 CFR § 1614.1(d). Further, 45 CFR § 1614.3(d)(3) requires programs to implement case oversight and follow-up procedures to ensure the timely disposition of cases to achieve, if possible, the results desired by the client and the efficient and economical utilization of resources.

Recipients are required to develop a PAI Plan and budget. *See* 45 CFR § 1614.4(a). The annual plan shall take into consideration the legal needs of eligible clients in the geographical area, the delivery mechanisms potentially available to provide the opportunity for private attorneys to meet legal needs, and the results of consultation with significant segments of the client community, private attorneys and bar associations, including minority and women's bar associations. The recipient must document that its proposed annual Plan has been presented to all local bar associations and the Plan shall summarize their response. *See* 45 CFR §§ 1614.4(a) and (b).

Additionally, 45 CFR Part 1614 requires that recipients utilize a financial management system and procedures that document its PAI cost allocations, identify and account for separately direct and indirect costs related to its PAI effort, and report separately the entire allocation of revenue and expenses relating to the PAI effort in its year-end audit.

Expenditures and Allocations

Compliance was noted with 45 CFR Part 1614 (Private attorney involvement) in that, for Fiscal Years 2012 and 2013, the program spent an amount equal to at least 12.5% of its LSC Basic

¹² Since the date of the review, LSC has revised 45 CFR Part 1614 (Private Attorney Involvement). The new regulation went into effect on November 14, 2014. All citations in this report are to the former 45 CFR Part 1614. LAF should ensure that their PAI activities, as of November 14, 2014, are in compliance with the revised 45 CFR Part 1614 regulation.

Field Grant on PAI activity and testing demonstrated general compliance with the accounting requirements of 45 CFR § 1614.3(e)(1).

Based upon the information contained in its 2012 audited financial statements (“AFS”), LAF documented \$836,463 in PAI expenses, spending 13.7% of its Basic Field Grant for 2012. While on-site, the CFO provided unaudited 2013 financial information which reported \$853,950 in PAI expenses. This is approximately 14.7% of LAF’s Basic Field Grant for 2013.

Additionally, compliance was noted with 45 CFR § 1614.3. Through on-site review of LAF’s fiscal documentation and discussions with its management, OCE determined that the recipient’s cost allocation methodology was adequately documented and addressed the requirements of 45 CFR § 1614.3(e)(1). LAF utilized financial systems and procedures and maintained supporting documentation to identify and account separately for costs related to the PAI effort. Actual personnel expenses of LAF staff involved with PAI activities were expended against its PAI account. Direct personnel PAI costs of case handlers were supported by contemporaneous LegalServer timekeeping records and time studies were performed for those support and administrative staff whose personnel costs were partially charged to PAI. Non-personnel PAI costs (overhead), such as space and supplies, were allocated to the PAI cost center by applying a percentage of full-time equivalent employees performing PAI as a percentage of the total number of employees. Other items which could be directly charged to a specific activity, such as travel, asset purchases, and training, were allocated individually, as bills were presented for payment.

Overview of the PAI Program

LAF’s PAI program is comprised of three (3) main components and each component has a slightly different procedural method. First, there are cases which come in through the normal CSU intake screening process.¹³ This is where the majority of the cases originate, including nearly all the litigated cases. Second there are several operating clinics in which applicants may walk in. These applicants are screened for eligibility and may receive legal assistance on the spot or they may be accepted for extended representation.¹⁴ Third, there are two (2) pro se help programs in which the applicant will be screened and receive assistance on the spot, with no continuing representation.¹⁵ For this third type, the persons receiving limited assistance will be advised of the CSU intake screening process and will be directed there if they need additional legal assistance.

Intake screening for a majority of the PAI cases is conducted through the CSU.¹⁶ In all instances, the normal LAF applicant screening and case acceptance procedures are followed. These are

¹³ The initiatives which go through this process include: the Pro Bono Panel; the Special Education/School Discipline Pro Bono Project; the SNAP Pro Bono Project; the VAWA/U-Visa Project; the SSI Overpayment Project; the EEOC Mediation Project; the Unlawful Eviction Project; the Order of Protection Litigation Project; the Order of Protection Appeals Project; and the Medical Debt Relief Project.

¹⁴ These are: the Woodlawn Legal Clinic; the Micah Legal Aid Clinic; the Katten Legal Clinic at Jose de Diego Community Academy; and the Pro Se Bankruptcy Clinic.

¹⁵ These would be the Bankruptcy Court Pro Se Help Desk and the U.S. District Court Pro Se Assistance Program.

¹⁶ The initiatives which go through this process include the Pro Bono Panel; the Special Education/School Discipline Pro Bono Project; the SNAP Pro Bono Project; the VAWA/U-Visa Project; the SSI Overpayment Project; the EEOC Mediation Project; the Unlawful Eviction Project; the Order of Protection Litigation Project; the Order of

discussed more fully in Finding 2 above. Specifically, all applicants are screened to ensure they are eligible in terms of income and assets; they are screened for conflicts (including screening to ensure the private attorney's firm does not have a conflict); they sign an attestation of U.S. citizenship or demonstrate non-citizen eligibility; and are screened for priorities.

The intake process is the same for the clinics and the pro se Help-Desks. For example, in the Woodlawn clinic, the applicants complete an intake/screening form which is then submitted to the intake staff on-site to review. This form includes the attestation of citizenship statement and instructions to speak with staff if the applicant is not a citizen. The intake staff then inputs the information into LegalServer, confirming income and assets information, and also conducts a conflicts check. After it has been confirmed that the applicant is fully eligible for legal assistance, the applicant is then sent to an interview room with the pro bono attorney. The attorney interviews the client with respect to the substantive legal issues and may consult with one (1) of the LAF attorneys who is also in attendance at the clinic. The LAF staff may highlight areas which may be unique to the low-income client, clarifying the advice or assistance given by the private attorney. Most of the clients who receive assistance at the clinics receive either counsel and advice or brief service; however, some may be accepted for more extended service.

Clients who receive legal assistance sign a statement acknowledging the limited nature of the services performed. This statement is separate and distinct from a retainer agreement.

PAI clients do not receive extended services without completing a standard LAF retainer form. The specific details of the PAI representation will be included in the scope and purpose clause. In addition, the client may execute a retainer or representation agreement with the private law firm.

All LAF staff watch for cases which may be referred to a private attorney. The LAF Director of Volunteer Services ("DVS") has prepared a simple set of instructions on how to refer a case to a private attorney, as well as a simple template for preparing a case for referral. The template sets forth the following information in short, readable blocks for easy insertion into an email which is sent out to the pro bono panel: Case Type (General – for example, family law); Assignment (more specific – example, custody of children); Facts; Experience Needed; Timeline; Time Commitment; Supervision; Experience to be Gained; and Location.

After receiving this information, the DVS will review and revise the information and confirm the draft with the referring LAF staff attorney before sending the email. When the DVS sends the email to the pro bono panelists, a copy is sent to the referring LAF staff attorney. When the private attorney receives the email, s/he contacts the DVS to let her know that s/he is interested in the case. A copy of all communications with the volunteer attorney is sent to the LAF staff attorney to ensure there are clear communications ongoing. The DVS asks the LAF staff attorney for conflicts check information (which has been withheld from the initial mass email), including the name of the parties, date(s) of birth, Social Security numbers, and addresses. The conflict information is then provided to the private attorney. After the case has cleared the

Protection Appeals Project; and the Medical Debt Relief Project. As explained in the main text of the report, these substantive units are more the locus of coordination between the staff attorneys and the private attorneys who work on these functional legal areas.

volunteer attorney's conflict check process, the DVS will send an introductory email to both the LAF attorney and the private attorney setting forth the arrangements between both parties. At this point, a draft of the Volunteer Attorney Agreement may be sent. The LAF attorney is then instructed to contact the private attorney within 48 hours for initial introductions and to schedule a 30 minute meeting, which may be in person or over the telephone. At this meeting, the private attorney is briefed on the case and provides the LAF attorney with instructions for the LAF attorney to provide to the client.

The cases which are referred to private counsel for litigation all have at least one (1) LAF attorney who work with the private attorney on the case. This attorney serves not only as a supporting resource, but also ensures there is adequate case oversight. To govern the relationship between LAF and the private attorney or private law firm, the parties enter into a counseling agreement, titled the "Volunteer Attorney Agreement." The "...Agreement sets out the rights and responsibilities of LAF and [the pro bono attorney or lawfirm] concerning (a) allocation of costs, (b) litigation budget limits, (c) designation of lead counsel, (d) time-keeping, (e) decision-making procedures, (f) dispute resolution procedures, (g) attorneys' fees and costs, (h) withdrawal of counsel, and (i) other matters related to the conduct of litigation..."

During the initial meeting between the LAF attorney and the volunteer attorney, the LAF attorney will review the terms of the referral and provide the relevant information. The LAF attorney will provide copies of all the important documents (either electronic or hard copy) and a synopsis of the case to the private attorney. LAF maintains the original citizenship attestation, retainer agreement, consent form, and all original documents provided by the client. In addition, the LAF attorney is instructed to assess the volunteer attorney's experience level and to provide guidance on handling the case.

Following the initial meeting between the LAF attorney and the volunteer attorney, the client is provided with the referral information. The documents sent to the client clearly indicate that the volunteer attorney will be the client's attorney and the LAF attorney will serve as both back-up and supervising attorney. The DVS stresses to LAF attorneys that they will be supervising these cases for LAF and are to set appropriate expectations for both the client and the volunteer attorney.

The volunteer attorney is asked to provide updates on the case by emails, which are included directly into LegalServer. Specifically, they are asked to do this with every contact they have with the client or each time they work on the case. In addition, each LAF staff attorney is required to tickle referred cases to ensure that they are being actively worked on. (In the written instructions to LAF staff, the tickler date is set at 30 days, however, the DVS acknowledged that some cases – for example, Social Security cases, might be on a longer tickler date.) While the case is coded, on LegalServer, as being assigned to a PAI attorney, the name of the LAF attorney who is working on the case is also listed and the case appears as part of the LAF attorney's normal caseload. As a result, not only is the case supervised by the LAF staff attorney, but also by the LAF staff attorney's supervisor as part of the normal case review process. Based on the sample PAI case file review, this process seems to be effective – there were no untimely closed files nor were there any dormant PAI cases noted.

Upon closing the case, the LAF staff attorneys are instructed to get copies of all relevant documents, which are scanned into LegalServer. (This was verified during case review.) The volunteer attorney is advised to send a closing letter describing the legal work done for the client and the outcome. The LAF attorney then gets a report on the number of hours that the PAI attorney devoted to the case. This is sent to the DVS, along with the relevant closing information (date closed, outcome, and closing code).

Finally, as LAF staff members are involved in the entire process, from initial referral to closing, they are instructed to maintain such time as PAI time. This information is provided to all LAF staff in a clear, simple two-page instruction sheet titled "PAI TIME: The Basics" (Updated October 10, 2013).

There are no recommendations or required corrective actions.

In its response to the DR, LAF did not comment on this Finding.

Finding 18: LAF is in compliance with the requirements of 45 CFR Part 1627, which prohibits recipients from using LSC funds to pay membership fees or dues to any private or nonprofit organization, and its policy comports with 45 CFR § 1627.3 (Requirements for all subgrants).

LSC has developed rules governing the transfer of LSC funds by recipients to other organizations. *See* 45 CFR § 1627.1. These rules govern subgrants, which are defined as any transfer of LSC funds from a recipient to an entity under a grant, contract, or agreement to conduct certain activities specified by or supported by the recipient related to the recipient's programmatic activities. Except that the definition does not include transfers related to contracts for services rendered directly to the recipient, e.g., accounting services, general counsel, management consultants, computer services, etc., or contracts with private attorneys and law firms involving \$25,000 or less for the direct provision of legal assistance to eligible clients. *See* 45 CFR §§ 1627.2(b)(1) and (b)(2); *see also*, 48 Federal Register 28485 (June 2, 1983) and 48 Federal Register 54207 (November 30, 1983).

All subgrants must be in writing and must be approved by LSC. In requesting approval, recipients are required to disclose the terms and conditions of the subgrant and the amount of funds to be transferred. Additionally, LSC approval is required for a substantial change in the work program of a subgrant, or an increase or decrease in funding of more than 10%. Minor changes of work program, or changes in funding less than 10% do not require LSC approval, but LSC must be notified in writing. *See* 45 CFR §§ 1627.3(a)(1) and (b)(3).

Subgrants may not be for a period longer than one (1) year, and all funds remaining at the end of the grant period are considered part of the recipient's fund balance. All subgrants must provide for their orderly termination or suspension, and must provide for the same oversight rights for LSC with respect to subgrantees as apply to recipients. Recipients are responsible for ensuring that subgrantees comply with LSC's financial and audit requirements. It is also the

responsibility of the recipient to ensure the proper expenditure of, accounting for, and audit of the transferred funds. *See* 45 CFR §§ 1627.3(b)(1),(b)(2),(c), and (e).

LSC funds may not be used to pay membership fees or dues to any private or nonprofit organization, except that payment of membership fees or dues mandated by a governmental organization to engage in a profession is permitted. *See* 45 CFR § 1627.4. Nor may recipients make contributions or gifts of LSC funds. *See* 45 CFR § 1627.5. Recipients must have written policies and procedures to guide staff in complying with the regulations and shall maintain records sufficient to document the recipient's compliance. *See* 45 CFR § 1627.8.

The fiscal review of LAF's policy for subgrants and membership fees or dues indicated consistency with LSC requirements. A limited review of LAF's fiscal records and discussions with its CFO confirmed that the program had no LSC funded subgrants in effect during the review period, and the program had not used LSC funds to pay membership fees or dues. As such, LAF is in compliance with the requirements of 45 CFR § 1627.4(a).

There are no recommendations or required corrective actions.

In its response to the DR, LAF did not comment on this Finding.

Finding 19: Review of LAF's policies and sampled files, as well as a limited review of fiscal and other records, and interviews with management and staff, evidenced non-compliance with 45 CFR Part 1635 (Timekeeping requirement).

The timekeeping requirement, 45 CFR Part 1635, is intended to improve accountability for the use of all funds of a recipient by assuring that allocations of expenditures of LSC funds pursuant to 45 CFR Part 1630 are supported by accurate and contemporaneous records of the cases, matters, and supporting activities for which the funds have been expended; enhancing the ability of the recipient to determine the cost of specific functions; and increasing the information available to LSC for assuring recipient compliance with Federal law and LSC rules and regulations. *See* 45 CFR § 1635.1.

Specifically, 45 CFR § 1635.3(a) requires that all expenditures of funds for recipient actions are, by definition, for cases, matters, or supporting activities. The allocation of all expenditures must satisfy the requirements of 45 CFR Part 1630. Time spent by attorneys and paralegals must be documented by time records which record the amount of time spent on each case, matter, or supporting activity. Time records must be created contemporaneously and account for time by date and in increments not greater than one-quarter of an hour which comprise all of the efforts of the attorneys and paralegals for which compensation is paid by the recipient. Each record of time spent must contain: for a case, a unique client name or case number; for matters or supporting activities, an identification of the category of action on which the time was spent. The timekeeping system must be able to aggregate time record information on both closed and pending cases by legal problem type. Recipients shall require any attorney or paralegal who works part-time for the recipient and part-time for an organization that engages in restricted activities to certify in writing that the attorney or paralegal has not engaged in restricted activity

during any time for which the attorney or paralegal was compensated by the recipient or has not used recipient resources for restricted activities.

LAF utilizes the LegalServer timekeeping/case management system. The program maintains a timekeeping policy which requires that all case handlers, including attorneys, paralegals, and intake specialists, enter their time in increments of tenths of an hour or six (6) minute increments. LAF provides its advocates with a LegalServer "How-To Guide" on SharePoint. Additionally, the program provides new employee and volunteers with an "Orientation to LAF" which includes "Highlights of LSC Regulations." Included in this presentation, which is made by the Director of Advocacy, is a discussion on 45 CFR Part 1635 (Timekeeping). A copy of the written presentation materials is maintained on LAF's SharePoint.

A review was conducted of eight (8) staff timekeeping records for the pay periods ending June 15, 2012 and September 30, 2013. The review included time records for six (6) attorneys, one (1) paralegal, and one (1) intake specialist. The review disclosed that the time records were electronically kept and the time spent on each case, matter or supporting activity was recorded contemporaneously in compliance with 45 CFR § 1635.3(b). The review further disclosed that each of the staff had worked at least the minimum number of hours designated by LAF's work week requirement.

Interviews revealed that one (1) LAF staff attorney only entered seven and one half (7.5) hours per day regardless of whether he worked in excess of that amount of time. According to the staff attorney, he was instructed not to include any additional hours worked when entering time in LegalServer. There were two (2) additional attorneys' time records reviewed which appear to have the same issue. In one instance, a Senior Attorney had recorded seven and one half (7.5) hours per day in LegalServer (37.5 hours per week) for each day worked during both pay periods reviewed. In another instance, a Supervisory Attorney reported seven and one half (7.5) hours per day in LegalServer for each day worked for the pay period ending June 15, 2012. This practice is in contravention to the requirements of 45 CFR § 1635.3(b)(1) which requires that the time records for case handlers comprise all of the efforts of the attorneys and paralegals for which compensation is paid by the recipient.

As a required corrective action, LAF management must ensure that the time records for its case handlers comprise all of the efforts of the attorneys and paralegals for which compensation is paid by the recipient, as required by 45 CFR § 1635.3(b)(1). OCE also recommends that LAF provide additional instruction and training to case handlers regarding timekeeping.

In its response to the DR, LAF stated that all case handlers have been instructed to enter their actual time worked in their LegalServer time records, even if it is more than the minimal time required for their particular position (7.5 hours a day for attorneys, 7.25 hours a day for paralegals and intake specialists). Staff was trained on this matter on June 16, 2014. *See* March 24, 2015, Letter, Attachment 3.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

A review of payroll timekeeping reports for a sample of employees revealed no exceptions.

According to 45 CFR § 1635.3(d), “Recipients shall require any attorney or paralegal who works part-time for the recipient and part-time for an organization that engages in restricted activities to certify in writing that the attorney or paralegal has not engaged in restricted activity during any time for which the attorney or paralegal was compensated by the recipient or has not used recipient resources for restricted activities.” Documents provided by LAF demonstrated that the Executive Director granted permission to two (2) part-time case handlers to continue their private practices, which were engaged in restricted activities. The Executive Director advised that both attorneys were hired on the understanding that they would not conduct outside activities during the hours they worked for LAF or use LAF resources to support their outside practice. The Executive Director disclosed that these employees were never asked to complete the quarterly disclosures required by 45 CFR § 1635.3(d).

As a required corrective action, LAF must ensure that the program requires attorneys or paralegals who work part-time for LAF and part-time for an organization that engages in restricted activities certify, in writing, that the attorney or paralegal has not engaged in restricted activity during any time for which the attorney or paralegal was compensated by LAF or has not used LAF resources for restricted activities. The Executive Director advised that, in the future, she will request part-time employees complete the quarterly certification mandated by 45 CFR § 1635.3(d), when applicable.

In its response to the DR, LAF confirmed that there are no part time employees and stated that the certifications required by 45 CFR. § 1635.3(d) will be obtained on a quarterly basis for any future part-time attorney or paralegal who also works for an organization that engages in restricted activities.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

Finding 20: Review of sampled cases, as well as interviews with management and staff, evidenced compliance with the requirements of former 45 CFR Part 1642 (Attorneys’ fees).

Prior to December 16, 2009, except as otherwise provided by LSC regulations, recipients could not claim, or collect and retain attorneys’ fees in any case undertaken on behalf of a client of the recipient. *See* former 45 CFR § 1642.3.¹⁷ However, with the enactment of LSC’s FY 2010 consolidated appropriation, the statutory restriction on claiming, collecting or retaining attorneys’ fees was lifted. Thereafter, at its January 23, 2010 meeting, the LSC Board of Directors took action to repeal the regulatory restriction on claiming, collecting or retaining attorneys’ fees. Accordingly, effective March 15, 2010 recipients may claim, collect and retain attorneys’ fees for work performed, regardless of when such work was performed. Enforcement action will not be taken against any recipient that filed a claim for, or collected or retained

¹⁷ The regulations define “attorneys’ fees” as an award to compensate an attorney of the prevailing party made pursuant to common law or Federal or State law permitting or requiring the award of such fees or a payment to an attorney from a client’s retroactive statutory benefits. *See* former 45 CFR § 1642.2(a).

attorneys' fees during the period December 16, 2009 and March 15, 2010. Claims for, collection of, or retention of attorneys' fees prior to December 16, 2009 may, however, result in enforcement action. *See* LSC Program Letter 10-1 (February 18, 2010).¹⁸

LAF maintains its 45 CFR Part 1642 policy in the LAF Policy Manual. This policy described the regulatory prohibition towards providing legal assistance in fee-generating cases in accordance with the requirements of 45 CFR Part 1609, exceptions to the fee-generating case prohibition, and LAF's policy and procedures related to fee-generating cases. Additionally, in conformance with the requirements of 45 CFR § 1609.4(a), LAF maintains its Allocation of Derivative Income policy which states that the Controller shall account for attorneys' fee awards received as the result of judgment, court order, or settlement of cases and these awards are to be allocated to LSC funds in the same proportion that the amount of LSC funds was used to support the representation.

During the OCE on-site review a sample was conducted of three (3) cash receipts of attorneys' fees. In each case, it was determined that the attorneys' fees received by LAF were fully allocated to LSC. In discussions with LAF's CFO it was confirmed that the program allocates to LSC at least as much as required by LAF's policy and by 45 CFR § 1609.4. The CFO added that, in many cases, LAF chooses to allocate all awards received from attorneys' fees to LSC.

Additionally, the sampled files reviewed did not contain a prayer for attorneys' fees. LAF is in compliance with the requirements of former 45 CFR Part 1642.

There are no recommendations or required corrective actions.

In its response to the DR, LAF did not comment on this Finding.

Finding 21: Review of LAF's policies and sampled files, as well as a limited review of fiscal and other records, and interviews with management and staff evidenced compliance with the requirements of 45 CFR Part 1612 (Restrictions on lobbying and certain other activities).

The purpose of this part is to ensure that LSC recipients and their employees do not engage in certain prohibited activities, including representation before legislative bodies or other direct lobbying activity, grassroots lobbying, participation in rulemaking, public demonstrations, advocacy training, and certain organizing activities. This part also provides guidance on when recipients may participate in public rulemaking or in efforts to encourage State or local governments to make funds available to support recipient activities, and when they may respond to requests of legislative and administrative officials.

LAF has a written policy containing the 45 CFR Part 1612 restrictions. Review of this policy found it to be in compliance with LSC regulations.

¹⁸ Recipients are reminded that the regulatory provisions regarding fee-generating cases, accounting for and use of attorneys' fees, and acceptance of reimbursement remain in force and violation of these requirements, regardless of when they occur, may subject the recipient to compliance and enforcement action.

A limited review of the Semi-Annual Legislative and Administrative Activity submissions and the documentation supporting those reports for the review period, as well as a review of fiscal records and interviews with management and staff, demonstrated compliance with the requirements of 45 CFR Part 1612. None of the sampled records evidenced that LAF staff participated in any lobbying or other prohibited activities while engaged in legal assistance activities.

There are no recommendations or required corrective actions.

In its response to the DR, LAF did not comment on this Finding.

Finding 22: Review of sampled cases, as well as interviews with management and staff, evidenced compliance with the requirements of 45 CFR Parts 1613 and 1615 (Restrictions on legal assistance with respect to criminal proceedings and actions collaterally attacking criminal convictions).

Recipients are prohibited from using LSC funds to provide legal assistance with respect to a criminal proceeding. *See* 45 CFR § 1613.3. Nor may recipients provide legal assistance in an action in the nature of a habeas corpus seeking to collaterally attack a criminal conviction. *See* 45 CFR § 1615.1.

LAF has a written policy containing the 45 CFR Parts 1613 and 1615 restrictions. Review of this policy found it to be in compliance with LSC regulations.

None of the sampled files reviewed involved legal assistance with respect to a criminal proceeding or a collateral attack in a criminal conviction. Interviews with management and staff also confirmed that LAF is not involved in this prohibited activity.

There are no recommendations or required corrective actions.

In its response to the DR, LAF did not comment on this Finding.

Finding 23: Review of the LAF's policies and sampled files, as well as interviews with management and staff, evidenced compliance with the requirements of 45 CFR Part 1617 (Class actions).

Recipients are prohibited from initiating or participating in any class action. *See* 45 CFR § 1617.3. The regulations define "class action" as a lawsuit filed as, or otherwise declared by a court of competent jurisdiction, as a class action pursuant Federal Rules of Civil Procedure, Rule 23, or comparable state statute or rule. *See* 45 CFR § 1617.2(a). The regulations also define "initiating or participating in any class action" as any involvement, including acting as co-counsel, amicus curiae, or otherwise providing representation relative to the class action, at any stage of a class action prior to or after an order granting relief. *See* 45 CFR § 1617.2(b)(1).

LAF has a written policy concerning the initiation or participation in class action lawsuits as required by 45 CFR Part 1617. Review of this policy found it to be in compliance with Part 1617.

None of the sampled files reviewed involved initiation or participation in a class action. Interviews with management and staff, as well as review of the recipient's policies, confirmed that LAF is not involved in this prohibited activity and is in compliance with the requirements of 45 CFR Part 1617.

There are no recommendations or required corrective actions.

In its response to the DR, LAF did not comment on this Finding.

Finding 24: Review of LAF's policies and sampled files, as well as interviews with management and staff, evidenced compliance with the requirements of 45 CFR Part 1632 (Redistricting).

Recipients may not make available any funds, personnel, or equipment for use in advocating or opposing any plan or proposal, or representing any party, or participating in any other way in litigation, related to redistricting. *See* 45 CFR § 1632.3.

LAF has a written policy containing the 45 CFR Part 1632 restrictions and has implemented procedures. Review of this policy found it to be in compliance with Part 1632.

None of the sampled files reviewed involved initiation or participation in redistricting activities. Interviews with management and staff confirmed that LAF is not involved in this prohibited activity.

There are no recommendations or required corrective actions.

In its response to the DR, LAF did not comment on this Finding.

Finding 25: Review of the LAF's policies and sampled files, as well as interviews with management and staff, evidenced compliance with the requirements of 45 CFR Part 1633 (Restriction on representation in certain eviction proceedings).

Recipients are prohibited from defending any person in a proceeding to evict the person from a public housing project if the person has been charged with, or has been convicted of, the illegal sale, distribution, manufacture, or possession with intent to distribute a controlled substance, and the eviction is brought by a public housing agency on the basis that the illegal activity threatens the health or safety of other resident tenants, or employees of the public housing agency. *See* 45 CFR § 1633.3.

LAF has a written policy governing the defense of certain eviction proceedings as required by 45 CFR Part 1633. Review of this policy found it to be in compliance with Part 1633. However, one (1) LAF staff attorney completes the forms when they are not applicable. This was brought to LAF's attention and they stated that they would address the matter.

None of the sampled files reviewed involved defense of any such eviction proceeding. Interviews with management and staff confirmed that LAF is not involved in this prohibited activity and is in compliance with the requirements of 45 CFR Part 1633.

There are no recommendations or required corrective actions.

In its response to the DR, LAF did not comment on this Finding.

Finding 26: Review of the LAF's policies and sampled files, as well as interviews with management and staff, evidenced compliance with the requirements of 45 CFR Part 1637 (Representation of prisoners).

Recipients may not participate in any civil litigation on behalf of a person incarcerated in a federal, state, or local prison, whether as plaintiff or defendant; nor may a recipient participate on behalf of such incarcerated person in any administrative proceeding challenging the condition of the incarceration. *See* 45 CFR § 1637.3.

LAF has a written policy governing the representation of incarcerated persons as required by 45 CFR Part 1637. Review of this policy found it to be in compliance with Part 1637.

None of the sampled files reviewed involved participation in civil litigation or administrative proceedings on behalf of incarcerated persons. Interviews with management and staff confirmed that LAF is not involved in this prohibited activity and is in compliance with the requirements of 45 CFR Part 1637.

There are no recommendations or required corrective actions.
In its response to the DR, LAF did not comment on this Finding.

Finding 27: Review of the LAF's policies and sampled files, as well as interviews with management and staff, evidenced compliance with the requirements of 45 CFR Part 1638 (Restriction on solicitation).

In 1996, Congress passed, and the President signed, the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (the "1996 Appropriations Act"), Pub. L. 104-134, 110 Stat. 1321 (April 26, 1996). The 1996 Appropriations Act contained a new restriction which prohibited LSC recipients and their staff from engaging a client which it solicited.¹⁹ This restriction has

¹⁹ *See* Section 504(a) (18).

been contained in all subsequent appropriations acts.²⁰ This restriction is a strict prohibition on being involved in a case in which the program actually solicited the client. As stated clearly and concisely in 45 CFR § 1638.1: “This part is designed to ensure that recipients and their employees do not solicit clients.”

LAF has a written policy containing the 45 CFR Part 1638 restrictions and has implemented procedures. Review of this policy found it to be in compliance with Part 1638.

Interviews with management and staff confirmed that LAF is not involved in this prohibited activity and is in compliance with the requirements of 45 CFR Part 1638.

There are no recommendations or required corrective actions.

In its response to the DR, LAF did not comment on this Finding.

Finding 28: Review of the LAF’s policies and sampled files, as well as interviews with management and staff, evidenced compliance with the requirements of 45 CFR Part 1643 (Restriction on assisted suicide, euthanasia, and mercy killing).

No LSC funds may be used to compel any person, institution, or governmental entity to provide or fund any item, benefit, program, or service for the purpose of causing the suicide, euthanasia, or mercy killing of any individual. Nor may LSC funds be used to bring suit to assert, or advocate, a legal right to suicide, euthanasia, or mercy killing, or advocate, or any other form of legal assistance for such purpose. *See* 45 CFR § 1643.3.

LAF has a written policy governing the restrictions on assisted suicide, euthanasia, and mercy killing as required by 45 CFR Part 1643. Review of this policy found it to be in compliance with Part 1643.

None of the sampled files reviewed evidenced involvement in these activities. Interviews with management and staff confirmed that LAF is not involved in this prohibited activity and is, therefore, in compliance with the requirements of 45 CFR Part 1643.

There are no recommendations or required corrective actions.

In its response to the DR, LAF did not comment on this Finding.

Finding 29: Review of the LAF’s policies and sampled files, as well as interviews with management and staff, evidenced compliance with the requirements of certain other LSC statutory prohibitions (42 USC 2996f § 1007 (a) (8) (Abortion), 42 USC 2996f § 1007 (a) (9) (School desegregation litigation), and 42 USC 2996f § 1007 (a) (10) (Military selective service act or desertion)).

²⁰ *See* Pub. L. 108-7, 117 Stat. 11 (2003) (FY 2003), Pub. L. 108-199, 118 Stat. 3 (2004) (FY 2004), Pub. L. 108-447, 118 Stat. 2809 (2005) (FY 2005), and Pub. L. 109-108, 119 Stat. 2290 (2006) (FY 2006).

Section 1007(b) (8) of the LSC Act prohibits the use of LSC funds to provide legal assistance with respect to any proceeding or litigation which seeks to procure a non-therapeutic abortion or to compel any individual or institution to perform an abortion, or assist in the performance of an abortion, or provide facilities for the performance of an abortion, contrary to the religious beliefs or moral convictions of such individual or institution. Additionally, Public Law 104-134, Section 504 provides that none of the funds appropriated to LSC may be used to provide financial assistance to any person or entity that participates in any litigation with respect to abortion.

Section 1007(b) (9) of the LSC Act prohibits the use of LSC funds to provide legal assistance with respect to any proceeding or litigation relating to the desegregation of any elementary or secondary school or school system, except that nothing in this paragraph shall prohibit the provision of legal advice to an eligible client with respect to such client's legal rights and responsibilities.

Section 1007(b) (10) of the LSC Act prohibits the use of LSC funds to provide legal assistance with respect to any proceeding or litigation arising out of a violation of the Military Selective Service Act or of desertion from the Armed Forces of the United States, except that legal assistance may be provided to an eligible client in a civil action in which such client alleges that he was improperly classified prior to July 1, 1973, under the Military Selective Service Act or prior law.

LAF has a written policy governing the restrictions on abortion, school desegregation litigation, and military selective service as required by 42 USC 2996f § 1007 (a) (8), 42 USC 2996f § 1007 (a) (9), and 42 USC 2996f § 1007 (a) (10). Review of this policy found it to be in compliance with the aforementioned regulation.

None of the sampled files evidenced involvement with these prohibited activities. Interviews with management and staff confirmed that LAF is not involved in the aforementioned prohibited activities and is in compliance with these requirements.

There are no recommendations or required corrective actions.

In its response to the DR, LAF did not comment on this Finding.

Finding 30: Review of the LAF's policies evidenced compliance with the requirements of 45 CFR Part 1644 (Disclosure of case information).

In accordance with 45 CFR Part 1644, recipients are directed to disclose to LSC and the public certain information on cases filed in court by their attorneys. 45 CFR § 1644.3 requires that the following information be disclosed for all actions filed on behalf of plaintiffs or petitioners who are clients of the recipient:

- a. the name and full address of each party to a case, unless the information is protected by an order or rule of court or by State or Federal law, or the recipient's attorney reasonably

believes that revealing such information would put the client of the recipient at risk of physical harm;

- b. the cause of action;
- c. the name and full address of the court where the case is filed; and
- d. the case number assigned to the case by the court.

LAF has a written policy governing the disclosure of case information as required by 45 CFR Part 1644. Review of this policy found it to be in compliance with Part 1644.

There are no recommendations or required corrective actions.

In its response to the DR, LAF did not comment on this Finding.

Finding 31: A limited review of LAF's internal control policies and procedures demonstrated that they compare favorably to the elements outlined in Chapter 3 - Internal Control/Fundamental Criteria of an Accounting and Financial Reporting System of the Accounting Guide for LSC Recipients (2010 Ed.).

In accepting LSC funds, recipients agree to administer these funds in accordance with requirements of the Legal Services Corporation Act of 1974 as amended (Act), any applicable appropriations acts and any other applicable law, rules, regulations, policies, guidelines, instructions, and other directives of the LSC, including, but not limited to, LSC Audit Guide for Recipients and Auditors, Accounting Guide For LSC Recipients (2010 Ed.), the CSR Handbook, the LSC Property Acquisition and Management Manual, and any amendments to the foregoing. Applicants agree to comply with both substantive and procedural requirements, including recordkeeping and reporting requirements.

An LSC recipient, under the direction of its board of directors, is required to establish and maintain adequate accounting records and internal control procedures. Internal control is defined as a process effected by an entity's governing body, management and other personnel, designed to provide reasonable assurances regarding the achievement of objectives in the following categories: (1) Effectiveness and efficiency of operations; (2) Reliability of financial reporting; and (3) Compliance with applicable laws and regulations. *See* Chapter 3 of the Accounting Guide for LSC Recipients (2010 Edition).

The Accounting Guide for LSC Recipients provides guidance on all aspects of fiscal operations and the 2010 edition has a significantly revised Accounting Procedures and Internal Control Checklist that provides guidance to programs on how accounting procedures and internal control can be strengthened and improved with the goal of eliminating, or at least reducing as much as reasonably possible, opportunities for fraudulent activities to occur.

Internal Controls and Documentation and Segregation of Duties

According to the LSC Accounting Guide, the essence of an effective system of internal control should include the segregation of duties in such a way that the persons responsible for the

custody of assets and conduct of operations have no part in the keeping of, and do not have access to, the records which establish accounting control over the assets and the operations. Duties of individuals should be so divided as to minimize the possibility of collusion, perpetration of irregularities, and falsification of the accounts. The objective should be to provide the maximum safeguards practicable in the circumstances, giving due consideration to the risks involved and the cost of maintaining the controls. *See LSC Accounting Guide, Appendix VII.*

LAF's responses to LSC's Segregation of Financial Duties Worksheet were reviewed and assessed to ensure that duties performed did not pose internal control conflicts. The following functions were reviewed and assessed: cash receipts, cash disbursements, petty cash, property, payroll, client trust accounting, and general journal. The review showed, in most cases, that financial duties are appropriately segregated and comply with the requirements of the LSC Accounting Guide.

Cash Receipts and Transactions

A limited review of LAF's written policy and procedures over cash receipts and sampled cash receipts transactions evidenced that LAF's procedures include appropriate accountability regarding segregation of duties for cash receipts.

A review of 12 transactions from the cash receipts reports for 2012-2014 were sampled to verify that copies of received checks matched the amounts deposited to the bank and recorded in the general ledger. All receipts were deposited and recorded in the general ledger timely and appropriately by fund. There were no discrepancies found and all transactions were supported by evidence.

Cash Disbursements

A limited review of cash disbursements (general, credit card, expense reimbursements) evidenced adequate supporting documentation and appropriate approvals in the sampled disbursements. Additionally, LAF has formal written policies for the disbursement process.

A review of nine (9) cash disbursements from the check register for 2012-2014 was conducted. The check copies for these disbursements were reviewed and verified against invoices, client trust account forms, reimbursement request forms, and other supporting documentation. These disbursements were also traced to the general ledger and verified for timeliness of payments, appropriate approval, and funding. There were no discrepancies found for the nine (9) disbursements reviewed.

Expense Reimbursement (Travel/Training)

LAF has two (2) primary types of reimbursements: travel and training. All travel and training reimbursements must be approved by the employee's supervisor and submitted using the Local Travel Reimbursement Request form, a general Reimbursement Request form, the Monthly Local Travel and Other Expense Reimbursement Request form, or the Out of Town Travel Voucher. A total of eight (8) expense reimbursements were reviewed from the check register for July to

September 2012; February to July 2013; and January and February 2014. There were no discrepancies found for the eight (8) reimbursements reviewed.

Credit Card Payments

LAF has one (1) credit card which is controlled by the Executive Director. This card is primarily used for travel, meals, information technology, and other expeditious payments. A review of credit card transactions was conducted for the months of November and December 2012, and January thru March 2013. The credit card payments and transactions sampled were verified against supporting documentation such as invoices and other supporting documentation and no discrepancies were noted.

Bank Reconciliations

The LSC Accounting Guide recommends that bank statement reconciliations to the general ledger be conducted on a monthly basis and that they be reviewed and approved by a responsible individual. The review must be appropriately documented, signed, and dated.

LAF maintains numerous bank accounts which are used for various purposes. Bank reconciliations were performed using the bank reconciliation module within the FundWare until 2013. LAF switched to a new accounting system in 2014, Financial Edge. As such, the 2014 bank reconciliations were performed with the new accounting system. LAF's bank reconciliation policy states that bank reconciliations are to be prepared within 30 days from the date of the bank statement. The on-site review determined that the bank statement reconciliation process is not performed in accordance with LAF's 30-day policy. Eight (8) bank reconciliations were sampled for the months of December 2012, January 2013, December 2013, and January - February 2014. Of the eight (8) reconciliations performed, only one (1) was performed timely in accordance with LAF's policy (within 30 days of bank statement date). LAF's CFO acknowledged the non-compliance with LAF's current policy and indicated that the accounting policies will be updated in the current year to comply with the new accounting system. Additionally, there were two (2) bank reconciliations reviewed that did not have dated signature approvals; however, all other bank reconciliation functions were appropriately performed.

An electronic banking policy should be implemented as LAF's current process includes executing electronic transactions. At the time of the on-site review, LAF did not have an electronic banking policy as required by LSC Accounting Guide. *See* LSC Accounting Guide, § 3-5.15.

LAF should ensure that its bank reconciliation process is consistent with its policy and the LSC Accounting Guide's monthly reconciliation performance guidance.

In its initial response to the DR, LAF stated that its bank reconciliation policy is being revised to be compliant with the LSC Accounting Guide and to better work with Financial Edge (the accounting system LAF began using in early 2014). By letter dated March 24, 2015, LAF further stated that its new Bank Reconciliation Policy went into effect on June 11, 2014, and that training was provided to its Controller (formerly Accountant) by a Financial Edge Consultant. *See* March 24, 2015, Letter, Attachment 13.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

LAF should also, ensure that they have an electronic banking policy in accordance with the requirements of LSC Accounting Guide, § 3-5.15.

In its initial response to the DR, LAF stated that an electronic banking policy that complies with the LSC Accounting Guide was being implemented; the policy went into effect on May 22, 2014. See March 24, 2015, Letter, Attachment 13.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

Petty Cash

A limited review of LAF's petty cash policy, as well as interviews with staff, determined that LAF is in compliance with the requirements of the LSC Accounting Guide. However, there was one (1) petty cash approval reviewed that did not have a dated signature and also had an incorrect amount of \$1,000 on the Petty Cash Fund Reconciliation and Reimbursement Request form. These errors had no financial impact as the correct amount was recorded in the accounting system.

Client Trust Fund

A limited review of LAF's client trust accounts, as well as interviews with staff, determined that LAF is in compliance with the requirements of the LSC Accounting Guide, § 2-2.3. Client Trust Fund accounts are maintained at the main office and are reconciled monthly. Account reconciliations were reviewed for the month of October and November 2013. All Client Trust Fund reconciliations were performed by the Accountant and reviewed/approved by the CFO.

Property Management System and Procedures

The on-site review evidenced that LAF's written policies and procedures can fully account for fixed asset purchases and support depreciation amounts and property asset balances in accordance with LSC Accounting Guide, § 3-5.4(c).

A limited review of LAF's operations over accounting for property, including the 2013 Fixed Asset Summary MS Excel spreadsheet, evidenced that there were no discrepancies found in the sample.

Personnel Policies and Payroll System

LAF's personnel policies and payroll system appear adequate; and policies and procedures include appropriate segregation of duties as documented in their Segregation of Financial Duties Worksheet.

A review of personnel files of six (6) employees from the 2014 Staff Roster and Availability report was conducted. The payroll registers and corresponding timesheets for these employees were also

obtained to verify that the employees were properly paid. Additionally, a review of the employees' collective bargaining agreement, schedule of management salaries, and the job descriptions were conducted to confirm that the annual salaries calculated from the time sheets and payroll registers were consistent with the employees' title and job descriptions. All employees sampled were appropriately paid and there were no discrepancies found. The selected sample further evidenced proper documentation of payroll records and compliance with the requirements of the LSC Accounting Guide, § 3-5.5.

Board Oversight

LAF is in compliance with the LSC Accounting Guide's requirement that its Board establish financial oversight and be responsible for the management of the on-going financial progress of the program.

The LAF Board is comprised of 37 active voting board members. Interviews with the Board President and the Budget and Compensation Committee Chair were conducted. The interview revealed that the general Board and the Budget and Compensation Committee ("Committee") are engaged in the on-going financial operations of LAF. Bi-monthly, the Committee meets to review and discuss the financial statements and may also meet additionally, as necessary. The entire Board meets on a quarterly basis. The Board also has an additional meeting to discuss the financial statement audit. There are two (2) financial experts on the Board who are consulted on financial issues. Financial statements are presented to both the Board (quarterly) and the Committee (bi-monthly) by the CFO. The Executive Director's compensation is determined by the Board annually.

There are no recommendations or required corrective actions.

In its response to the DR, LAF did not comment on this Finding.

Finding 32: Interviews and a limited review of procedures, practices, and documents related to TIG Nos. 08226, 10069, and 13041 evidenced substantial compliance with certain TIG grant assurances and other applicable LSC regulations, rules, and guidelines.

TIG projects and funds are subject to TIG contract terms and provisions of the LSC Act, regulations, and other applicable laws, including appropriations provisions which apply to LSC funds. During on-site reviews of TIGs, OCE staff examine a sampling of TIG-related activities and expenditures to ensure their compliance with applicable law, rules, regulations, policies, guidelines, instructions, and other directives of the LSC, including, but not limited to, the LSC Audit Guide for Recipients and Auditors, the LSC Accounting Guide, certain LSC TIG Assurances, the Property Acquisition and Management Manual, and any amendments of the foregoing adopted before or during the period of the TIG grant.

TIG No. 08226

LAF's grant award for TIG No. 08226 was approved on September 10, 2008. LAF received a TIG award from LSC in the amount of \$136,000 with an 18 month term beginning on January 1, 2009. At the time of the review LAF had completed this TIG project.

A limited review of relevant materials, as well as interviews, regarding LAF's 2009 TIG Grant No. 08226 was conducted. The project's goal was to increase efficiency and effectiveness of delivery of legal services in Illinois by designing and implementing a system which would export data from LAF's ACMS directly to automated documents, thereby increasing the accuracy of legal documents.

Interviews with the LAF's Executive Director and a review of the related TIG documentation revealed sufficient oversight. Although the project has been completed, it has yet to be fully implemented. According to the Executive Director there have been several unforeseen roadblocks which have prevented the project from being fully implemented.

Fiscal Findings

Interviews with LAF's staff and a limited review of procedures, practices, and documents related to TIG No. 08226 evidenced compliance with fiscal-related 2008 TIG grant assurances.

LAF had entered into three (3) contracts with a third party related to TIG No. 08226. The vast majority of the work associated with TIG No. 08226 was contracted out to Illinois Legal Aid Online ("ILAO"), PS Technologies, Inc., and Pro Bono Net. Review of LAF's actual expenses revealed that the program had expended the contract amounts for all three (3) contracts. None of the third party contracts related to TIG No. 08226 qualified as a subgrant under 45 CFR § 1627.3.

Pursuant to the LSC Accounting Guide, Chapter 3-5.16 Contracting, Documenting, the statement of work should be sufficiently detailed so that contract deliverables can be identified and monitored to ensure that the deliverables are completed. As stated in 45 CFR § 1630.3(a)(9), expenditures by a recipient are allowable under the recipient's grant or contract only if the recipient can demonstrate that the cost was adequately and contemporaneously documented in its business records. A sample of invoices paid for each of the three (3) third-party contracts related to TIG No. 08226 revealed adequate documentation with the exception that each of the invoices reviewed were signed by the former Controller as the requester but there were no signatures to designate that payment was approved.

According to the Executive Director, LAF relied on its contract partners and LSC's Office of Program Performance ("OPP") to provide the technical expertise for approval of payments to third-party contracts under TIG No. 08226. However, it is still considered a best practice for LAF to review and approve all invoices presented for payment from third-party contracts related to its TIG awards, even when the program is relying upon the expertise of its contract partner.

The timekeeping requirement, 45 CFR Part 1635, is intended to improve accountability for the use of all funds of a recipient by: a) assuring that allocations of expenditures of LSC funds

pursuant to 45 CFR Part 1630 are supported by accurate and contemporaneous records of the cases, matters, and supporting activities for which the funds have been expended; b) enhancing the ability of the recipient to determine the cost of specific functions; and c) increasing the information available to LSC for assuring recipient compliance with Federal law and LSC rules and regulations. *See* 45 CFR § 1635.1.

Direct costs are those that can be identified specifically with a particular final cost objective, i.e., a particular grant award, project, service, or other direct activity of an organization. Costs identified specifically with grant awards are direct costs of the awards and are to be assigned directly thereto. Direct costs include, but are not limited to, the salaries and wages of recipient staff who are working on cases or matters that are identified with specific grants or contracts. *Salary and wages charged directly to Corporation grants and contracts must be supported by personnel activity reports* (italicized for emphasis).

The CFO provided documentation showing that LAF charged \$4,000 to personnel costs under TIG No. 08226; however, there were no personnel activity reports to support this charge. According to the Director of Technology for Advocates, who oversees LAF's TIG program, LAF did not utilize its timekeeping system for the personnel costs charged to TIG No. 08226 as the personnel costs were not incurred by attorneys or paralegals and LAF's practice is that only case handlers utilize the timekeeping system. LAF must ensure that salary and wages charged directly to Corporation grants and contracts, including TIG awards, are supported by personnel activity reports in accordance with 45 CFR Part 1635 and 45 CFR § 1630.3(d). Those costs which are not supported by adequate documentation may be considered a questioned cost under, as defined under 45 CFR § 1630.2(g)(2). The Director of Technology for Advocates advised that personnel activity reports are now generated for the current TIG awards. A review of assets purchased in relationship to TIG No. 08226 revealed no instances of non-compliance with PAMM and 45 CFR § 1630.5(b), as there were no asset purchases or leases which exceeded \$10,000. Additionally, a review of the AFS for fiscal year 2012 revealed that LAF separately reported its TIG awards in accordance with § 2-2.1 of the LSC Accounting Guide and 45 CFR § 1628.3. There was no TIG activity reported pertaining to TIG No. 08226 as it had already been completed at the time the AFS was prepared.

TIG No. 10069

LAF's TIG No. 10069 was a 2010 project granted in the total amount of \$157,100 over the term January 1, 2011 – March 31, 2013, or completion of project milestones. The first payment of \$62,400 (less \$1,100 for the TIG conference) was made by LSC on January 11, 2011, and the final payment of \$31,200 was made on July 8, 2013.

The project goal was to develop a comprehensive, user-friendly Spanish language version of Illinois' statewide website thereby increasing access to the legal system for Spanish speakers and the lower-income Spanish speaking population. The project's objectives included: (1) enhancing Illinois' statewide website interface, navigation, and content management system to support foreign languages; (2) developing an online Spanish library rich with critical self-help legal resources, information and referrals; and (3) promoting these Spanish resources through targeted outreach and education to the Spanish speaking communities throughout Illinois. Based on the final report, these objectives were met and can be seen from the website's statistics. Just one (1)

year into the project, on January 23, 2012, the website (AyadaLegalIL.org) was launched with over 300 self-help resources covering over 20 areas of law. Additionally, it also offered referrals to over 80 legal organizations. As of February 28, 2013, the website logged 76,071 visits and 126,870 page views.

This project was completed in partnership with ILAO and Northwest Justice Project. Both promoted the goal of the Spanish website through website management and content promotion to the Spanish population. This information is consistent with information provided in the questionnaire and the final evaluation report dated March 3, 2013 submitted to OPP which concluded that the website is functioning.

A limited review of the relevant materials, as well as interviews, regarding LAF's 2011 TIG Grant No. 10069 was conducted.

Interviews with the Executive Director and a review of the related TIG documentation revealed sufficient oversight. However, LAF failed to distribute a Disclosure of Interests for Determination of Conflicts Policy to persons covered by the Policy and it did not have persons covered by the Policy sign a Conflict of Interest Acknowledgement and Disclosure Form, in violation of Grant Assurance 15. Subsequent to completing this project, LAF was awarded TIG No. 13041 in November 2013 and the review evidenced that LAF obtained the required signed Conflict of Interest Acknowledgement and Disclosure Forms in compliance with Grant Assurance 15 for TIG No. 13041. Based on the fact that TIG No. 10069 is complete and that LAF took proactive steps by obtaining signed Conflict of Interest Acknowledgement and Disclosure Forms for TIG No. 13041, there are no recommendations or required corrective actions.

Fiscal Findings

A limited review of a questionnaire and a summary spreadsheet listing revenues and expenses which provided details relating to the project was conducted. A limited review of a payment was selected for expenses incurred in association with this project. The documentation supporting the expenses was appropriate; however, there was no formal documentation showing explicit approval of this invoice as required by LAF's policy. However, status updates with attached invoices were sent from ILAO to LAF's Executive Director, CFO, and Director of Technology.

The contract between ILAO and LAF for TIG No. 10069 indicates that the work under the agreement will not be for programmatic activity, therefore, timekeeping pursuant to the requirements under 45 Part CFR 1635 and 45 CFR Part 1627 are not required. The review of the LAF's 2012 AFS revealed that TIG No. 10069 was reported as a lump sum amount with TIG No. 10069. These TIGs should have been reported separately.

The final budget schedule for TIG No. 10069 submitted to OPP reports personnel costs of \$4,000 for LAF employees. The personnel activity reports and other records associated with those were requested from LAF. By e-mail dated June 8, 2014, the Director of Technology for Advocates provided personnel records for two (2) staff members who were involved in working on

development of this TIG. The time spent by the two (2) staff employees accounts for \$6,862 which covers the \$4,000 charged as LAF personnel costs for TIG No. 10069.

TIG No. 13041

LAF's TIG No. 13041 is a 2013 project granted in the total amount of \$76,300. The project's goal is to improve the effectiveness and efficiency of LAF's client services by strengthening LAF's information management system through the integration of a SharePoint system with LAF's ACMS. The system will allow LAF to better build and maintain institutional knowledge throughout the organization, resulting in more extended representation for clients and expanded community outreach to client groups.

LAF's grant award for TIG No. 13041 was approved in November, 2010, with a 30-month grant term. At that time, LAF received a TIG award from LSC in the amount of \$76,300 with a 30 month grant term date beginning on November 30, 2013. The review evidenced that LAF was issued an initial payment of \$21,800 in November 2013, and this TIG project is ongoing.

A limited review of the relevant materials, as well as interviews, regarding LAF's 2013 TIG Grant No. 13041 was conducted. Interviews with the Director of Technology for Advocates and a review of the related TIG documentation revealed sufficient oversight. The Director of Technology for Advocates is actively involved in the operation and development of the project. Additionally, the review revealed compliance, thus far, with the relevant grant assurances.

LAF must ensure that salary and wages charged directly to Corporation grants and contracts, including TIG awards, are supported by personnel activity reports.

In its response to the DR, LAF stated that personnel activity reports are now being generated for TIG awards, as previously communicated by the Director of Technology for Advocates. LAF further stated that this will better ensure that salary and wages charged directly to LSC grants and contracts, including TIG awards, are properly supported as required. LAF added that new procedures are being implemented jointly by the Director of Technology for Advocates and the Chief Financial Officer to ensure that all invoices presented for payment, including invoices paid to third-party contracts related to TIG awards, are reviewed and approved prior to being processed. LAF also reported that it had drafted a new policy and procedures for its TIGs. *See* March 24, 2015, Letter, Attachment 15.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

Fiscal Findings

A limited review of a questionnaire and a summary budget spreadsheet listing expenses which provided details relating to the project was conducted. Additionally, the Director of Technology for Advocates, who oversees LAF's TIG program, was interviewed. A limited review of contract expenses incurred and personnel costs of one (1) LAF employee's hours

associated with this project was conducted. The review evidenced that the documentation supporting the employee's contract expenses and personnel costs were sufficient.

It was recommended that LAF review and approve all invoices presented for payment, including invoices paid to third party contracts related to its TIG awards, even when the program is relying upon the expertise of its contract partner.

In its response to the DR, LAF stated that all invoices, including TIG invoices, will be reviewed and approved (or disapproved) by responsible LAF personnel.

There are no required corrective actions.

IV. RECOMMENDATIONS²¹

Consistent with the findings of this report, it was recommended that LAF:

1. Correct the technical error in its ACMS whereby merely accessing closed cases does not trigger reopening and/or closing cases with previously attributed closing codes where no legal assistance was provided. LAF stated that it will address this technical error so that merely accessing closed cases will not trigger it being reopened and closed inadvertently; (Finding No.1)

In its response to the DR, LAF stated that it has modified LegalServer so that it does not generate a new “case opened” date when a closed case has been reopened.

2. Develop a program-wide uniform approach and understanding to the screening questions regarding reasonable income prospects and household composition: (Finding No. 2)

In its response to the DR, LAF stated that program-wide training on screening questions concerning income, income prospects, and household composition is being developed. LAF further stated that, as much as possible, the training will be done in segments and videotaped, so that new staff can access it readily.

3. Review its rules of professional conduct to ensure that its Help-Desk conflicts procedures and Chinese walls are consistent with its jurisdictional ethical obligations. *See* 42 USC 2996f §§ 1007 (a)(1) and (10); (Finding No. 2)

In its response to the DR, LAF stated its position that conflict-checking at LAF’s Help-desks is consistent with its ethical obligations. *See* the rule quoted above, under Required Corrective Action 6. LAF further stated that it is unaware of any instances where Chinese Walls have not been created where they were warranted.

4. Provide program-wide compliance training for its staff and develop a plan to monitor the accuracy of the information maintained by its community partners about LAF's services and provide any partners found to be maintaining misleading information with accurate information about LAF and its services; (Finding No. 2)

In its response to the DR, LAF stated that, to the extent possible, it will monitor for accuracy the information its community partners post about the services LAF provides. In one (1) of the scenarios discussed in the DR (the Chicago Courtwatch website discussed on page 14), it was

²¹ Items appearing in the “Recommendations” section are not enforced by LSC and therefore the program is not required to take any of the actions or suggestions listed in this section. Recommendations are offered when useful suggestions or actions are identified that, in OCE’s experience, could help the program with topics addressed in the report. Often recommendations address potential issues and may assist a program to avoid future compliance errors. By contrast, the items listed in “Required Corrective Actions” must be addressed by the program, and will be enforced by LSC.

unable to determine who posted the information and, therefore, who should be responsible for correcting it.

5. Develop procedures to ensure that no LSC funds are used to support Help-Desk activities unless eligibility screening is compliant with LSC requirements; (Finding No. 2)

In its response to the DR, LAF stated that the Help-Desks have their own budgets, which account fully for all the funds received from the Chicago Bar Foundation ("CBF"). No LSC funds are expended on them.

6. Contact its partners and supply them with accurate information about its services; (Finding No. 2)

In its response to the DR, LAF stated that it endeavors to provide all of its partners with accurate information about the services it provides. LAF further advised that its website also has comprehensive information about what it does and does not do.

7. Conduct a thorough review (and then on-going periodic reviews) of the information maintained by others about LAF services and attempt to correct any inaccuracies; (Finding No. 2)

In its response to the DR, LAF stated that this is the same issue contained in Recommendation Nos. 4 and 6. LAF further stated that it will do its best.

8. Provide periodic program-wide compliance training for its staff to develop a uniform understanding and approach to income and income exception screenings to assist it in implementing the required corrective action item; (Finding No. 2)

In its response to the DR, LAF stated that this is similar to Recommendation No. 2. LAF stated that it has done some agency-wide training already, and hopes to develop training modules that new staff can review as part of their orientation, and that existing staff can use to refresh their understanding of the applicable rules.

9. Revise the written policy for Part 1620 so that the policy also includes the following items: (1) a provision for quarterly reports to Board regarding emergency cases (§ 1620.7(a)); (2) a provision for an annual report to LSC on emergency cases (§ 1620.7(b)); and (3) a provision for signed written agreements for all staff (§ 1620.6); (Finding No. 8)

In its response to the DR, LAF stated that the policy for Part 1620 has been revised and was submitted to the OCE Team before the Draft Report was received. All case handlers have been asked to sign an agreement to be bound by LAF's Priorities and the signed agreements are maintained in their personnel files.

10. Review all case files required to have a retainer agreement to verify that all agreements are properly executed and included in the case file, when required, and contain a detailed scope and subject matter of the representation; (Finding No. 6)

In its response to the DR, LAF stated that it has already created in LegalServer a mechanism for supervisors to ensure that all the LSC-required documents, including a properly filled out and signed retainer, are uploaded into the client profile. LAF further stated that once a supervisor is satisfied that the documents are there, he or she checks a box in Legal-Server to indicate that the review is complete. Cases with unchecked boxes can be extracted for follow-up.

11. Review all case files prior to file closing to ensure that the legal assistance provided is properly documented; (Finding No. 9)

In its response to the DR, LAF stated that supervisors are reviewing cases before they are closed to ensure that the legal assistance provided is properly documented.

12. Conduct staff training to ensure proper application of the CSR case closure categories; (Finding No. 10)

In its response to the DR, LAF stated that it has already done some training on CSR case closing categories, but it will do more. LAF further stated that they have also emphasized the importance of distinguishing between case closure categories “B” (Limited Action) and “L” (Extensive Service).

13. Develop measures for checks and balances in its electronic filing or other tickler system to ensure that it reports repeated instances of assistance to a client as a single case; (Finding No. 12)

In its response to the DR, LAF stated that it already uses a system to detect and correct duplicate cases which consist of running reports of apparent duplicates and having advocates close one (1) of the duplicates with an X or indicate why the cases are not actually duplicates.

14. Maintain records to identify the date(s) when its attorneys engage in the outside practice of law; (Finding No. 13) and

In its response to the DR, LAF stated that it now requires attorneys engaged in the outside practice of law (with the Executive Director’s approval) to keep separate time records for their work in those cases.

15. Review and approve all invoices presented for payment, including invoices paid to third party contracts related to its TIG awards, even when the program is relying upon the expertise of its contract partner. (Finding No. 32)

In its response to the DR, LAF stated that all invoices, including TIG invoices, will be reviewed and approved (or disapproved) by responsible LAF personnel.

V. REQUIRED CORRECTIVE ACTIONS

Consistent with the findings of this report, LAF is required to take the following corrective action:

1. Require its staff to screen for assets consistent with 45 CFR §§ 1611.2(i) and 1611.5; (Finding No. 2)

In its response to the DR, LAF stated that it has adjusted LegalServer to eliminate the possibility that non-cash items (Food Stamps and the value of food or rent received in lieu of wages) can be counted as income. *See* 45 CFR § 1611.2. LAF stated that it has also adjusted LegalServer to require specification of the “fixed debts and obligations” that are considered in evaluating an applicant’s assets. LAF further stated that it has also revised its Client Screening Unit (“CSU”) manual (which is the authoritative reference manual for all eligibility screeners) to clarify the difference between current bills and fixed debts. These changes were made shortly before the e-mails announcing them, which LAF management sent to all LAF staff and students on April 14, 2014 (while the OCE team was on-site), and on May 21, 2014. LAF followed up with an even more detailed e-mail to all staff on June 2, 2014, less than one (1) week after the Board of Directors approved LAF's revised CSU Procedures Manual.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

2. Require its staff to screen for assets consistent with 45 CFR §§ 1611.3 and 4; (Finding No. 2)

In its response to the DR, LAF stated that the revision to the CSU Procedures Manual clarifies the proper approach for asset and asset exemption screening, and LegalServer has been modified to reflect those changes. LAF further stated that these improvements will make asset screening more uniform across LAF.

Additionally LAF stated that, “in the court-annexed Help-Desks (*i.e.*, the William J. Hibbler Pro Se Assistance Project in the U.S. District Court, the Bankruptcy Help-desk in the U.S. Bankruptcy Court, and the eviction Help-Desk in the Sixth Municipal Courthouse in Markham), LAF does not perform income and asset screening according to these standards. These Desks are all funded in their entirety by the Chicago Bar Foundation, which is more concerned that as many pro se litigants as possible get help during the hours the Desks are open. Income and asset screening would slow the registration process down unduly.”

By letter dated March 24, 2015, LAF further stated that “LAF's CSU Procedures Manual specifically addresses the concerns about consistent implementation of the above-referenced changes. The revised Procedures Manual was approved by the Board of Directors on May 27, 2014, and has been in use since that date.”

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

3. Conduct citizenship and priority screening for all persons and groups receiving legal assistance supported with non-LSC funds; (Finding No. 2)

In its response to the DR, LAF stated that it agrees with the OCE Team's conclusion that LAF is generally providing legal advice, not legal information, at the court-annexed Help-Desks. LAF further stated that, as such, it understands that people coming to these Help-Desks must be screened to show that they are U.S. citizens or eligible aliens under LSC regulations. LAF stated that anyone who cannot make that showing will receive only legal information.

LAF provided training to its staff during a Practice Group Director's Meeting on June 16, 2014, and a Supervisors' meeting later the same day. *See* Attachment 3 of LAF's March 24, 2015 Letter including a PowerPoint presentation and Word document attachments. Additionally, an e-mail was sent to all staff at LAF's various court-annexed Help-Desks and off-site clinics, explaining the entity restrictions in Section 504 of the LSC Act.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

4. Maintain records of its activities sufficient to demonstrate it has satisfied the requirements of 45 CFR Part 1620; (Finding No. 2)

In its response to the DR, LAF stated that the screening procedures for the Help-Desks have been modified to require that appropriate citizenship/alien eligibility documentation be obtained before any legal advice is offered, and to document that the legal advice provided violates none of LSC's entity-based restrictions. A copy of the new intake sheet was provided on March 24, 2015, as Attachment 5. The form was reviewed and found to be compliant.

LAF further stated that Finding 2 also mentions that its procedures for checking conflicts at the Help-Desks must be consistent with LAF's ethical obligations under Illinois law. Specifically, Illinois has adopted a new rule dealing with conflict checking at court-annexed Help-Desks, where advocates and volunteers do not typically have direct access to LegalServer and all the data necessary to perform a complete conflict check. LAF has ensured it is compliant with this new rule.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

5. Ensure that non-LSC funds used to support its Help-Desks are used accordance with the specific purposes for which they are provided and are not used for activity prohibited by or inconsistent with Public Law 104-134, Section 504; (Finding No. 2)

In its response to the DR, LAF stated that, it has confirmed with the Chicago Bar Foundation, which funds all three Help-Desks, that the CBF's grants for those Desks must be spent consistent with the LSC limitations described in response to Corrective Action No. 4 above. LAF indicated that the CBF understands and agrees with those constraints. *See* March 24, 2015, Letter, Attachment 6.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

6. Screen applicants consistent with LSC regulation and other guidance when providing legal advice during outreach; (Finding No. 2)

In its response to the DR, LAF stated that most of LAF's outreach involves the provision of legal information, not legal advice. When a person seeks legal advice at an outreach event, the appropriate screening will be conducted:

- For outreach activities funded with non-LSC funds (e.g., Title III funds or the Attorney General Foreclosure Grant), people seeking legal advice will be screened for citizenship/alien eligibility, claims within LAF's Priorities, and any income/asset limitations imposed by the funder.
- For outreach activities funded with LSC funds, people seeking legal advice will undergo the full LSC eligibility screening on-site or be referred to LAF's Client Screening Unit.

LAF further stated, by letter dated March 24, 2015, that "while the OCE team was still in LAF's offices, LAF management sent an e-mail to all LAF staff who work at our Help-Desks and other off-site clinics, alerting them to the requirement that we gather citizenship/alien eligibility information for any person we see in those settings to whom we provide legal advice." *See* March 24, 2015, Letter, Attachment 7.

LAF also stated that, on June 27, 2014, LAF management followed up with more detailed instructions about obtaining citizenship/alien eligibility information. *See* March 24, 2015, Letter, Attachment 8.

LAF has developed a form for screening that is conducted off-site. *See* March 24, 2015 Letter, Attachment 5. The form was sent out for use in off-site screening on July 9, 2014. *See* March 24, 2015, Letter, Attachment 9.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

7. Standardize its paper intake forms consistent with its ACMS, and LSC regulations; (Finding No. 2)

In its response to the DR, LAF stated that this has been done. LAF developed a standardized paper intake form for screening that is conducted off-site. *See* March 24, 2015, Letter, Attachment 5. The form was sent out for use in off-site screening on July 9, 2014. *See* March 24, 2015, Letter, Attachment 9.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

8. Ensure that all cases contain a signed citizenship attestation, when required. LAF must also ensure that all documentation of alien eligibility is dated accordingly; (Finding No.5)

In its response to the DR, LAF stated that this requirement is now reflected in LAF's policies and procedures, and staff has been instructed to adhere to them. On or before July 13, 2014, LAF "created a report in LegalServer that allows supervisors to review cases in LegalServer and note whether all LSC-required documents have been uploaded to the file. If they have not been uploaded, the supervisor asks the case handler to obtain and upload them." See March 24, 2015, Letter, Attachment 10, including screenshot.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

9. Ensure that all cases are compliant with the documentation requirements of 45 CFR Part 1636; (Finding No. 7)

In its response to the DR, LAF stated that staff has been instructed to ensure that there is a statement of facts, signed by the client, in every case where an affirmative claim is filed or where LAF attempts to resolve an affirmative claim in pre-litigation settlement negotiations with a prospective defendant. LAF further stated that it believes that having the client sign and date a copy of the proposed complaint satisfies this requirement.

Additionally, on or before July 13, 2014, LAF "created a report in LegalServer that allows supervisors to review cases in LegalServer and note whether all LSC-required documents have been uploaded to the file. If they have not been uploaded, the supervisor asks the case handler to obtain and upload them." See March 24, 2015, Letter, Attachment 10, including screenshot.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

10. Ensure that the legal assistance provided is properly documented: (Finding No. 9)

In its response to the DR, LAF stated that, supervisors have been instructed to review all cases before they are closed to ensure that the legal assistance provided has been properly documented. Cases that have been closed without such documentation will not be reported to LSC in its CSRs.

LAF further stated that the requirement that legal assistance be properly documented in LegalServer is emphasized in numerous ways. LAF stated it is part of the initial orientation on using LegalServer that all case-handling staff receives. Additionally, LAF reiterates the requirements at their annual self-inspection each year. Furthermore, LAF's Power Point presentation provided on March 24, 2015, reflects the same requirements. See March 24, 2015 Letter Attachment 3. The PowerPoint presentation was given to Practice Group Directors, supervisors, and staff in June 2014, and a document summarizing it was sent to all staff.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

11. Revise their Outside Practice of Law policy so that it is fully compliant with the requirements of 45 CFR Part 1604; (Finding No. 13)

In its response to the DR, LAF noted that a revised policy was submitted to the OCE Team before the DR was received. In addition, LAF has adopted a timekeeping sheet on which a lawyer whose outside practice has been approved is to document when and where the work was performed.

The revised policy and the new accompanying forms have been reviewed and are compliant with the requirements of 45 CFR Part 1604. Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

12. Implement procedures to ensure that notification of the prohibitions and conditions which apply to the funds received is provided all of its donors and non-LSC funding sources of \$250 and over as required under 45 CFR § 1610.5; (Finding No. 16)

In its response to the DR, LAF stated that it provides the required notification to all of its donors, regardless of the amount of their donation. LAF will provide similar notice to grantors, contemporaneously with its grant applications. Since many of those applications are now on-line, LAF will send a separate letter to funders who utilize on-line applications.

A sample letter was provided to LSC for review and it was found to be compliant. Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

13. Ensure that LAF requires any attorney or paralegal who works part-time for the recipient and part-time for an organization that engages in restricted activities to certify in writing that the attorney or paralegal has not engaged in restricted activity during any time for which the attorney or paralegal was compensated by the recipient or has not used recipient resources for restricted activities, as mandated by 45 CFR § 1635.3(d); (Finding No. 19)

In its response to the DR, LAF stated that there are no part-time employees currently employed by LAF and stated that the certifications required by 45 CFR § 1635.3(d) will be obtained on a quarterly basis for any future part-time attorney or paralegal who also works for an organization that engages in restricted activities.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

14. Ensure that the time records for its case handlers comprise all of the efforts of the attorneys and paralegals for which compensation is paid by the recipient, as required by 45 CFR § 1635.3(b)(1); (Finding No. 19)

In its response to the DR, LAF stated that all case handlers have been instructed to enter the actual time worked in their LegalServer time records, even if it is more than the minimal time required for their particular position (7.5 hours a day for attorneys, 7.25 hours a day for paralegals and intake specialists). Staff was trained on this matter on June 16, 2014. *See* March 24, 2015, Letter, Attachment 3.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

15. Ensure that its bank reconciliation process is consistent with its policy and the LSC Accounting Guide's monthly reconciliation performance policy; (Finding No. 31)

In its initial response to the DR, LAF stated that LAF's Bank Reconciliation Policy is being revised to be compliant with the LSC Accounting Guide and to work with Financial Edge (the accounting system to which LAF moved in early 2014). By letter dated March 24, 2015, LAF further stated that its new Bank Reconciliation Policy went into effect on June 11, 2014. Training was provided by its Financial Edge Consultant to LAF's then accountant, now Comptroller. *See* March 24, 2015, Letter, Attachment 13.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

16. Ensure that they have an electronic banking policy in accordance with the requirements of LSC Accounting Guide, § 3-5.15; (Finding No. 31) and

In its initial response to the DR, LAF stated that an electronic banking policy that complies with the LSC Accounting Guide was being implemented. The new policy subsequently went into effect on May 22, 2014. *See* March 24, 2015, Letter, Attachment 13.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.

17. Ensure that salary and wages charged directly to Corporation grants and contracts, including TIG awards, are supported by personnel activity reports. (Finding No. 32)

In its response to the DR, LAF stated that personnel activity reports are now being generated for TIG awards, as previously communicated by the Director of Technology for Advocates. LAF further stated that this will better ensure that salary and wages charged directly to LSC grants and contracts, including TIG awards, are properly supported as required. LAF further stated that, new procedures are being implemented jointly by the Director of Technology for Advocates and the Chief Financial Officer to ensure that all invoices presented for payment, including invoices paid to third-party contracts related to TIG awards, are reviewed and approved prior to being processed. LAF drafted a new policy and procedures for its Technology TIGs. *See* March 24, 2015, Letter, Attachment 15.

Based on the information provided, OCE determined this Required Corrective Action has been sufficiently addressed and is therefore closed.



Equal justice starts here.

September 11, 2014

Lora M. Rath
Director
Office of Compliance and Enforcement
Legal Services Corporation
3333 K Street, NW – 3rd Floor
Washington, DC 20007-3522

OFFICE OF COMPLIANCE
SEP 16 A 8:36
LEGAL SERVICES CORP

LAF's Response to Compliance Review Visit (Recipient Number 514020)

Dear Ms. Rath:

LAF has received and reviewed the draft report prepared by the Compliance Review Team, headed by Shila Mashadishafie, after its visit to LAF from April 7-10, 2014.

First of all, I want to say what a pleasure it was to work with Shila and her team, in the weeks leading up to the visit, during the time the team was in our office, and in follow-up conversations with various team members after the visit was over. Everyone was courteous, patient, and professional.

Required Corrective Actions:

LAF must

1. *Require its staff to screen for assets consistent with 45 C.F.R. §§1611.2 and 1611.5.* LAF has adjusted LegalServer (its ACMS) to eliminate the possibility that non-cash items (Food Stamps and the value of food or rent received in lieu of wages) can be counted as income (1611.2). LAF has also adjusted LegalServer to require specification of the "fixed debts and obligations" that are considered in evaluating an applicant's assets. LAF has also revised its Client Screening Unit manual (which is the authoritative reference manual for all eligibility screeners) to clarify the difference between current bills and fixed debts.
2. *Require its staff to screen for assets consistent with 45 C.F.R. §§1611.3 and 1611.4.* The revision to CSU's manual now clarifies the proper approach for asset and asset exemption screening, and LegalServer has been modified to reflect those changes. These improvements will make asset screening more uniform across LAF.

However, in the court-annexed help desks (i.e., the William J. Hibbler Pro Se Assistance Project in the U.S. District Court, the Bankruptcy Help Desk in the U.S. Bankruptcy Court, and the eviction help desk in the Sixth Municipal Courthouse in Markham), LAF does not perform income and asset screening according to these standards. These Desks are all funded in their entirety by the Chicago Bar Foundation, which is more concerned that as many pro se litigants as possible get help during the hours the Desks are open. Income and asset screening would slow the registration process down unduly.

3. *Conduct citizenship and priority screening for all persons and groups receiving legal assistance supported with non-LSC funds.* This recommendation relates to the court-annexed help desks referenced in 2 above.¹ We agree with the OCE Team's conclusion that we are generally providing legal advice, not legal information, at these desks. Therefore, we understand that people coming to these Desks must be screened to show that they are U.S. citizens or eligible aliens under LSC regulations. Anyone who cannot make that showing will receive only legal information.

We also understand that this is an entity-restriction, not a restriction on the use of LSC funds. We therefore will take the same approach with the other entity restrictions (e.g., no abortion rights litigation, no redistricting litigation, no class actions) at the Desks. The Chicago Bar Foundation understands and is comfortable with these limitations.

We do believe that the work of the Desks is generally consistent with LAF's Priorities. Most of the cases that come to the Desks are squarely within LAF's Priorities (evictions, employment discrimination and FMLA claims, and bankruptcies). Moreover, helping pro se litigants navigate court systems and have the chance to present their claims or defenses to an impartial decision-maker is consistent with the overall goal of working with the broader legal community to help poor people gain access to justice (LAF Priorities, Preamble, Section G), a goal that has been adopted by the CBF and our state's Access to Justice Commission. It is true that, in the Hibbler Program, pro se litigants may come for help occasionally with outlier cases (the OCE mentions a maritime case on p. 13 of the Report), but that does not change our conclusion. Our goal is to help the pro se litigant understand the rules of procedure that apply to his/her case, and advise

¹ There is a small confusion relating to these Desks on p. 12 of the Draft Report (and elsewhere). The District Court Desk is called the William J. Hibbler Memorial Pro Se Assistance Program, in honor of the late federal judge who pushed for the creation of a desk to assist pro se litigants in the District Court. The Bankruptcy Help Desk has no connection with Judge Hibbler and does not bear his name..

how (s)he may be able to seek appointed counsel. We do not represent any Hibbler Desk clients in court, nor do we offer substantive advice in areas outside our Priorities.

4. *Maintain records of its activities sufficient to demonstrate it has satisfied the requirements of 45 C.F.R. §1620.* The screening procedures for the Help Desks have been modified to require that appropriate citizenship/alien eligibility documentation be obtained before any legal advice is offered, and to document that the legal advice provided violates none of LSC's entity-based restrictions.

Finding 2 also mentions that our procedures for checking conflicts at the Desks must be consistent with LAF's ethical obligations under Illinois law. In fact, Illinois has adopted a new rule dealing with conflict checking at court-annexed help desks, where advocates and volunteers do not typically have direct access to LegalServer and all the data necessary to perform a complete conflict check. The rule provides:

RULE 6.5: NONPROFIT AND COURT-ANNEXED LIMITED LEGAL SERVICES PROGRAMS

(a) A lawyer who, under the auspices of a program sponsored by a nonprofit organization or court, provides short-term limited legal services to a client without expectation by either the lawyer or the client that the lawyer will provide continuing representation in the matter:

- (1) is subject to Rules 1.7 and 1.9(a) only if the lawyer knows that the representation of the client involves a conflict of interest; and
- (2) is subject to Rule 1.10 only if the lawyer knows that another lawyer associated with the lawyer in a law firm is disqualified by Rule 1.7 or 1.9(a) with respect to the matter.

(b) Except as provided in paragraph (a)(2), Rule 1.10 is inapplicable to a representation governed by this Rule.

Adopted July 1, 2009, effective January 1, 2010.

We are operating in conformity with Rule 6.5.

5. *Ensure that non-LSC funds used to support its Help Desks are used in accordance with the specific purposes for which they are provided and are not used for activity prohibited by or inconsistent with Public Law 104-134, Section 504.* LAF has confirmed with the Chicago Bar Foundation, which funds all three Help Desks, that the CBF's grants for those Desks must be

spent consistent with the LSC limitations described in 4 above. The CBF understands and agrees with those constraints.

6. *Screen applicants consistent with LSC regulation and other guidance when providing legal advice during outreach.* Most of LAF's outreach involves the provision of legal information, not legal advice. When a person seeks legal advice at an outreach event, the appropriate screening will be conducted:

- For outreaches funded with non-LSC funds (e.g., Title III funds or the Attorney General Foreclosure Grant), people seeking legal advice will be screened for citizenship/alien eligibility, claims within LAF's Priorities, and any income/asset limitations imposed by the funder.
- For outreaches funded with LSC funds, people seeking legal advice will undergo the full LSC eligibility screening on site or be referred to LAF's Client Screening Unit.

7. *Standardize its paper intake forms consistent with its ACMS and LSC regulations.* This has been done.

8. *Ensure that all cases contain a signed citizenship attestation, when required. LAF must also ensure that all documentation of alien eligibility is dated accordingly.]* This requirement is now reflected in LAF's policies and procedures, and staff has been instructed to adhere to it. Supervisors have also been given a method to check that appropriate documentation has been uploaded into the LegalServer profile, and a checkbox to indicate that they have reviewed the file.

9. *Ensure that all cases are compliant with the documentation requirements of 45 C.F.R. §1636.* Staff has been instructed to insure that there is a statement of facts, signed by the client, in every case where an affirmative claim is filed or where LAF attempts to resolve an affirmative claims in pre-litigation settlement negotiations with a prospective defendant. We assume that having the client sign and date a copy of the proposed complaint satisfies this requirement.

10. *Ensure that the legal assistance provided is properly documented.* Supervisors have been instructed to review all cases before they are closed to ensure that the legal assistance provided has been properly documented. Cases that have been closed without such documentation will not be reported to LSC as reportable cases.

11. *Revise its Outside Practice of Law Policy so that it is fully compliant with the requirements of 45 C.F.R. §1604.* A revised policy was submitted to the OCE Team before the Team's Draft Report was received. In addition, LAF has adopted a timekeeping sheet on which a lawyer whose outside practice has been approved is to document when and where the work was performed.
12. *Implement procedures to ensure that notification of the prohibitions and conditions which apply to the funds received is provided to all of its donors and non-LSC funding sources of \$250 and over as required under 45 C.F.R. §1610.5.* LAF provides the required notification to all of its donors, no matter what the amount of their donation. LAF will provide similar notice to grantors, contemporaneously with its grant applications. Since many of those applications are now on-line, LAF will send a separate letter to funders who utilize on-line applications.
13. *Insure that LAF requires any attorney or paralegal who works part-time for the recipient and part-time for an organization that engages in restricted activities to certify in writing that the attorney or paralegal has not engaged in restricted activity during any time for which the attorney or paralegal was compensated by the recipient or has not used recipient resources for restricted activities, as mandated by 45 C.F.R. §1635.3(d).* The certifications required by 45 C.F.R. §1635.3(d) will be obtained on a quarterly basis for any part-time attorney or paralegal who also works for an organization that engages in restricted activities.
14. *Ensure that the time records for its case handlers comprise all of the efforts of the attorneys and paralegals for which compensation is paid by the recipient, as required by 45 C.F.R. §1635.3(b)(1).* All casehandlers have been instructed to enter the actual time worked in their LegalServer time records, even if it is more than the minimal time required for their particular position (7.5 hours a day for attorneys, 7.25 hours a day for paralegals and intake specialists).
15. *Ensure that its bank reconciliation process is consistent with its policy and the LSC Accounting Guide's monthly reconciliation performance policy.* LAF's bank reconciliation policy is being revised to be compliant with the LSC Accounting Guide, and to work with Financial Edge (the accounting system to which LAF moved in early 2014).

16. *Ensure that it has an electronic banking policy in accordance with the requirements of LSC Accounting Guide §3-5-15.* An electronic banking policy that complies with the LSC Accounting Guide is being implemented.

17. *Ensure that salary and wages charged directly to Corporation grants and contracts, including TIG awards, are supported by personnel activity reports.* Personnel activity reports are now being generated for TIG awards, as previously communicated by the Director of Technology for Advocates. This will better ensure that salary and wages charged directly to LSC grants and contracts, including TIG awards, are properly supported as required. Additionally, new procedures are being implemented jointly by the Director of Technology for Advocates and the Chief Financial Officer to ensure that all invoices presented for payment, including invoices paid to third-party contracts related to TIG awards, are reviewed and approved prior to being processed.²

Recommendations:

1. LAF has changed LegalServer so that it does not generate a new "case opened" date when a closed case has been reopened.
2. Program-wide training on screening questions about income, income prospects, and household composition is being developed. As much as possible, the training will be done in segments and videotaped, so that new staff can access it readily.
3. We believe that conflict-checking at LAF's Help Desks is consistent with our ethical obligations. See the rule quoted above, under Required Corrective Action 6. We are unaware of any instances where Chinese Walls have not been created where they were warranted.
4. To the extent possible, we will monitor for accuracy the information our community partners post about the services LAF provides. In one of the instances discussed in the Draft Report (the Chicago Courtwatch website discussed on p. 14), we were unable to find out who posted the information and therefore who could correct it.
5. The Help Desks have their own budgets, which account fully for all the funds received from the CBF. No LSC funds are expended on them.

²² In the Draft Report, on p. 50, OCE states that LAF's grant award for TIG 13041 was approved on December 3, 2010. In fact, TIG 13041 was approved in November 2013, with a 30-month grant term.

6. We endeavor to provide all our partners with accurate information about the services we provide. Our website also has comprehensive information about what we do and don't do.
7. This is the same issue as 4 and 6. We will do our best.
8. This is similar to 2 above. We have done some agency-wide training already, and hope to develop training modules that new staff can review as part of their orientation, and that existing staff can use to refresh their understanding of the applicable rules.
9. The policy for Part 1620 has been revised and was submitted to the OCE Team before the Draft Report was received. All casehandlers are already asked to sign an agreement to be bound by LAF's Priorities, and the signed agreements are maintained in their personnel files.
10. We have already created in LegalServer a mechanism for supervisors to ensure that all the LSC-required documents, including a properly filled out and signed retainer, are uploaded into the client profile. Once the supervisor is satisfied that the documents are there, he or she checks a box to indicate that the review is complete. Cases with unchecked boxes can be extracted for follow-up.
11. Supervisors are reviewing cases before they are closed, to insure that the legal assistance provided is properly documented.
12. We have already done some training on CSR case closing categories, and will do more. We have also emphasized the importance of distinguishing between B's and L's.
13. LAF already uses a system to detect and correct duplicate cases, running reports of apparent duplicates and having advocates close one of the duplicates as an X or indicate why the cases really are not duplicates.
14. We now require attorneys engaged in the outside practice of law (with the Executive Director's approval) to keep separate time records for their work in those cases.
15. All invoices, including TIG invoices, will be reviewed and approved (or disapproved) by responsible LAF personnel.

Please do not hesitate to call me if you have any questions about this response, or see any areas where it is unclear or insufficient.

Sincerely,

Diana C. White

Diana C. White
Executive Director

Memorandum

To: Shila Mashadishafie

From: Diana White

Re: Additional information re LAF's Corrective Actions (OCE visit, 4/7-10, 2014)

Date: March 24, 2015

Here is the information you requested in your February 26, 2015 e-mail.

1. LegalServer was adjusted to eliminate the possibility that non-cash items can be counted as income. See Attachment 1. LegalServer also now has a mandatory field requiring a narrative reason for overriding the limits on financial eligibility (indicated by the red asterisk). These changes were made shortly before the e-mails announcing them, which Vivian Hessel sent to all LAF staff and LAF students on April 14, 2014 (while the OCE team was still in our office) and on May 21, 2014. Cynthia Sadkin followed up with an even more detailed e-mail to all staff on June 2, 2014 – less than a week after the Board of Directors approved LAF's revised CSU Procedures Manual. This last e-mail did not go to LAF students because this is the time of year when students working at LAF during the spring semester have left and the new summer law students start arriving. These changes were emphasized in the orientation the new students received from their supervisors as they arrived.
2. LAF's CSU Procedures Manual specifically addresses the concerns about consistent implementation of the above-referenced changes. See Attachment 2. The revised Procedures Manual was approved by the Board of Directors on May 27, 2014 and has been in use since that date.
3. The training we provided after the OCE visit is reflected in Attachment 3 (a Power Point Presentation, and a Word document). The Power Point was presented at a Practice Group Directors' meeting on June 16, 2014 (attended by Diana White, Richard Wheelock, Alan Alop, Caroline Chapman, Lawrence Wood, Lisa Palumbo, Miguel Keberlein, Richard Cozzola, and Tim Huizenga). It was also presented at a Supervisors' meeting later that same day, attended by Diana White, Richard Wheelock, Alan Alop, Mara Block, James Brady, Caroline Chapman, Suzanne Courtheoux, Richard Cozzola, Michelle Gilbert, Vivian Hessel, Tim Huffman, Tim Huizenga, Miguel Keberlein, Deborah Klein, Daniel Lindsey, Lisa Palumbo, Jennifer

Payne, Charles Petrof, Gloria Pruzan, Elizabeth Rosenthal, Katherine Shank, Kathryn Shelton, Kathy Swanson, JoAnn Villasenor, Michelle Weinberg, Lawrence Wood, and David Yen. All the supervisors were instructed to present the same Power Point to their staffs by the end of June 2014. Everyone got a copy of the Word document to keep as a reference.

Richard Wheelock also sent a detailed e-mail to all staff at our various court-annexed help desks and offsite clinics, explaining the entity restrictions in Section 504 of the LSC Act. This e-mail (Attachment 4) went to the following staff members on September 8, 2014: Alan Alop, Mara Block, Adela Carlin, Caroline Chapman, Richard Cozzola, Michelle Gilbert, Federico Guzman, Timothy Huffman, Miguel Keberlein, Matthew Lango, Amy Martin, Cynthia Sadkin, Alice Setrini, Katherine Shank, Lawrence Wood, and David Yen.

4. Records of activities sufficient to demonstrate compliance. See the new intake sheet for help desks and clinics (Attachment 5). Note that we do not screen clients at the Help Desks funded by the Chicago Bar Foundation (the Hibbler Program Desk in Federal District Court, the Bankruptcy Desk, or the Markham Desk) for income or assets because it would slow the process down too much. Cases from those Desks are included in our most recent GAR Report (G-2). In prior years, we reported them in "other services."

5. The communications with the Chicago Bar Foundation were by telephone, in a conversation between Diana White and Bob Graves (Executive Director of the CBF) shortly after the OCE visit. I don't have any contemporary notes reflecting the conversation, but Bob Graves has confirmed that it took place and that he agreed to the procedural changes OCE required. (Attachment 6.)

6-7. While the OCE team was still in LAF's offices, Cynthia Sadkin sent an e-mail to all LAF staff who work at our help desks and other offsite clinics, alerting them to the requirement that we gather citizenship/alien eligibility information for any person we see in those settings to whom we provide legal advice. (Attachment 7.)

On June 27, Cynthia followed up with more detailed instructions about obtaining citizenship/alien eligibility information from those individuals (Attachment 8). (In that e-mail, she told people we would report cases for citizens and eligible aliens for whom we did not gather financial as "other matters" to LSC, as we had done in the past. However, we have since concluded that they should be reported on the G-2 GAR form as cases closed with non LSC funds and not reported to LSC, and have so reported them.)

Over the next several weeks, Cynthia developed a form for screening that is conducted offsite (see Attachment 5 above). The form was sent out for use in off-site screening on July 9, 2015. (Attachment 9.)

8. See the response to question 6-7 above. In addition, on or before July 13, 2014, Vivian Hessel created a report in LegalServer that allows supervisors to review cases in LegalServer and note whether all LSC-required documents have been uploaded to the file. If they have not been uploaded, the supervisor asks the casehandler to obtain and upload them. (See Attachment 10, including screenshot.)

9. See the response to question 8 above.

10. The requirement that legal assistance be properly documented in LegalServer is emphasized in numerous ways. It is part of the initial orientation on using LegalServer that all casehandling staff receive. When we do our annual self-inspection each year, we reiterate it. The Power Point (Attachment 3) reflects it (in the discussion of using the closing codes L and B). That presentation was given to Practice Group Directors, supervisors, and staff in June 2014, and a document summarizing it was sent to all staff. In our 2014 self-inspection report, only 5 cases out of 150 had any failure to comply with all LSC's requirements, and only 1 involved failure to document the assistance provided.

11. The time sheet used by people who have been given permission to engage in the outside practice of law is a simple table (Attachment 11). When the Executive Director approves the outside practice, she explains to the individual engaging in it that all work is to be recorded on the sheet and must reflect that the work is not being done on LAF time. The issue does not arise often enough to provide general training.

13. A copy of the letter provided to funders is attached (Attachment 12). Note, however, that many online applications do not have any address to which such a letter can be sent – often the best we can do is e-mail it to the funder's technical support e-mail address.

15. At the time of the OCE visit, I confirmed that LAF had no employees who work part time for LAF and part time for an organization that engages in restricted activities. That is still true. Therefore, no forms have been obtained.

16. The issue of recording all time worked in LegalServer (even if it was in excess of the 7.50 hours for which exempt staff are paid or the 7.25 hours for which non-exempt staff are paid) was addressed in the trainings, meetings, and documents referenced above (in the answer to Question 3).

17. LAF's new Bank Reconciliation Policy went into effect on June 11, 2014. Training was provided by Lisa Mirth, our Financial Edge Consultant, to Sheila Farmer, at the time our accountant and now our Comptroller. The Policy is Attachment 13.

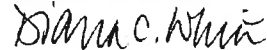
18. LAF's Electronic Banking Policy (Attachment 14) went into effect on May 22, 2014. The only training was an explanation by the Private Bank of the electronic approval process on or about that date.

19. Vivian Hessel, who manages our TIG grants, has provided her response to question 19 (Attachment 15).

Please let me know if you have any additional or follow-up questions.

We are still waiting for your approval of the packet of revised policies which I sent to you on July 14, 2014. If you need me to resend it, I can easily do that. We have been waiting for the approval before we post the revised policies on SharePoint, where all staff can readily refer to them.

Diana C. White

A handwritten signature in black ink that reads "Diana C. White". The signature is written in a cursive, flowing style.

Diana C. White

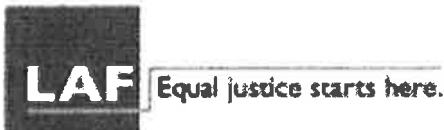
From: Vivian R. Hessel
Sent: Monday, April 14, 2014 10:10 PM
To: LAF Staff; LAF Students
Subject: Changes in LegalServer Based on OCE Recommendations

Based on recommendations from the Office of Compliance Enforcement (OCE) of LSC, we've made the following changes to the Begin Intake process in LegalServer:

1. We've changed the **Intake Type** on page 1 so that this field defaults to "Please select" instead of "Telephone."
2. We've changed the **Number of People 18 and Over** so that this field starts out empty instead of defaulting to "1," and so that both **Number of People 18 and Over** and **Number of People Under 18** are required fields on page 5.

Vivian

Vivian R. Hessel | Director, Technology for Advocates
Phone: 312.347.8344 | Fax: 312.612.1444
120 South LaSalle Street, Ste. 900 | Chicago, IL 60603
www.lafchicago.org



ATTACHMENT 1

Diana C. White

From: Vivian R. Hessel
Sent: Wednesday, May 21, 2014 11:40 AM
To: LAF Staff; LAF Students
Subject: Recent Changes in LegalServer

Based on recommendations from the LSC Office of Compliance and Enforcement after their visit to LAF last month, we've made some changes in LegalServer. I've listed these changes below. If you have any questions about any of them, please let me know.

1. The **Intake Type** field now defaults to "Please select" instead of "Telephone."
2. The field for **Number of People 18 and Over** no longer defaults to "1." Instead, users must enter a number.
3. The text of the question about **Prospective Income** now reads, "Do you have any reason to believe your income will change in the next 60 days?" (It previously read, "Do you have reason to believe that your income is likely to change significantly in the near future?").
4. The instruction about Household Income includes more detail about when to use the **Override** button for clients with income between 125-150% of the federal poverty guidelines, and the **Override Notes** field is now a required field.
5. The **Asset Entry** field defaults to "\$0.00" **only** for the selection of "No Assets."
6. The **Date Opened** field on the re-open page no longer defaults to today's date when a user re-opens a case profile but instead defaults to the original date opened for the case profile.

Happy Wednesday!

Vivian R. Hessel | Director, Technology for Advocates

Phone: 312.347.8344 | Fax: 312.612.1444

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Diana C. White

From: Cynthia Sadkin
Sent: Monday, June 02, 2014 9:20 AM
To: LAF Staff
Subject: Revised Financial Eligibility Policy and LegalServer Changes
Importance: High

Good Morning,

On 5/27, the LAF Board approved revisions to our Financial Eligibility Policy based on recommendations from the OCE visit in April. The revised policy is on Sharepoint and can also be found here: <G:\Agency Resources\LAF Policies and Procedures\Financial Eligibility Guidelines\Financial Eligibility Policy 5-27-14.docx>

We have made revisions to LegalServer to reflect the changes in policy. There are 3 affected sections:

Income:

- The main change is that there are additional specific sources of income listed in the lookup menus, most of which are rarely applicable (e.g., strike benefits, training stipends), but are listed because they are specified in the LSC regulations.
- Self-employment income is now a separate income type than wages and salaries. This is meant to trigger the right inquiry in determining self-employment income (usually adjusted gross income from the most recent income tax return)
- Remember to exhaust all inquiry into income sources for the household before moving to the next page in LegalServer.

Eligibility exceptions for income between 125% and 150% of the federal poverty line:

- Certain exceptions that were grouped together are now itemized to mirror the language in the LSC regulations
- Note that an applicant who is seeking legal assistance to *maintain* benefits provided by a program for low income people can be found financially eligible even above 150% of FPL according to the LSC regulations. In the rare case that this exception applies, you may need to consult with a supervisor or director to document the exception correctly in LegalServer.

Assets:

This is where the most significant changes will be found.

- Countable assets are listed in the lookup menu. **You should inquire about every asset category in the menu.**
- Excluded assets (not found on the lookup menu) include:
 - principal residence,
 - all vehicles used for transportation
 - retirement accounts
 - assets unavailable to the applicant (including those held by the perpetrator of domestic violence)
 - anything that is exempt from attachment under the Illinois Code of Civil Procedure, 735 ILCS 5/12-1001 (requires consulting the statute and possibly a supervisor)

- anything else owned by the applicant that is not readily convertible to cash (this replaces the "household goods" inquiry)
- Instead of asking about "household goods valued > \$4,000", the new inquiry is whether the applicant or household member owns anything that is readily convertible to cash. This language reflects the LSC regulation. "Readily convertible to cash" may include items that can be pawned, such as jewelry, musical instruments, collectibles, furs, and electronics. The value of such items should be included as countable assets. Most basic household goods are not readily convertible to cash and therefore are not countable assets.

Minor changes were also made to group financial eligibility to bring it in full compliance with the LSC regulations.

Please check with me if you have any questions or notice any problems in LegalServer that may need to be corrected by Vivian Hessel.

Cynthia Sadkin | Director, Client and Community Services

Phone: 312.347.8346 | Fax: 312.612.1446

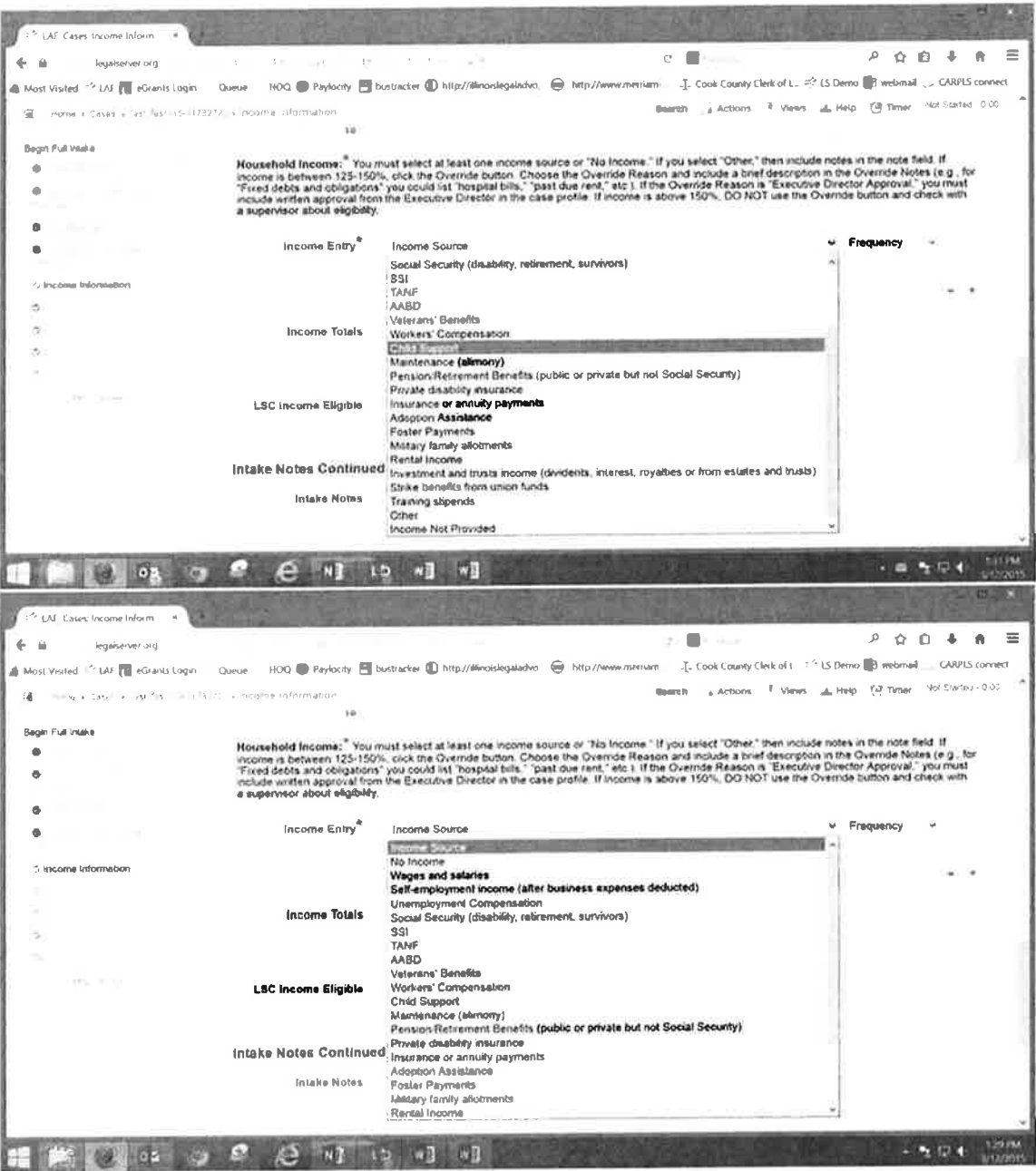
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Sources of income menu in LegalServer. Two screen shots because all menu options do not appear on one shot.



Financial eligibility override screen shot. Notes field is mandatory (indicated by red asterisk).

LSC Income Eligible Yes No

Financial Eligibility Please Select

Override Reason

Financial Override Notes*

Continue

and asset ceilings; and (3) the availability and cost of legal services provided by the private bar and other free or low-cost legal services providers in the area.

Financial eligibility includes two components – income and assets. An applicant must meet both income and asset requirements to be eligible for services using LSC funds. Income is determined by how many people are in the household and the total gross income of everyone in the household. Assets include money and investments, real estate, vehicles, and other personal property of value. The reason we must ask about assets is that if a person has the resources to pay for a lawyer, s/he is not someone in need of free legal assistance. If there is substantial reason to doubt the accuracy of the financial eligibility information provided by the applicant (individual or group), LAF shall make appropriate inquiry to verify the information, in a manner consistent with the attorney-client relationship. All applicants must be asked about income prospects. This question is intended to identify people who may be financially eligible presently but will become ineligible very soon, or, people who presently have disqualifying income who are on the verge of eligibility, such as someone whose unemployment benefits are about to end. In either case, if the answer to "do you have any reason to believe your income will change in the next 60 days" is "yes," a notes field will appear in LegalServer. Enter an explanation in the income prospects notes field in LegalServer and consult with a supervisor about applicant eligibility.

A. Income Eligibility

(1) The following applicants are LSC income-eligible:

- a. An applicant whose household income is at or below 125% of the federal poverty line ("FPL").
- b. An applicant who is seeking legal assistance to maintain benefits provided by a government program for low income individuals or families;
- c. An applicant for whom the Executive Director or the Executive Director's designee has determined, on the basis of documentation received, that the applicant's income is primarily committed to medical or nursing home expenses, and that, excluding such portion of the applicant's income which is committed to medical or nursing home expenses, the applicant would otherwise be financially eligible for services;
- d. An applicant whose household income falls between 125% and 150% of FPL, and who meets one of the following exceptions:
 - i. The applicant is seeking legal assistance to obtain governmental benefits for low income individuals and families;
 - ii. The applicant is seeking legal assistance to obtain or maintain governmental benefits for persons with disabilities;
 - iii. The applicant's income is likely to fall below 125%, taking into account seasonal variations in income;

- The applicant has unreimbursed medical expenses and/or medical insurance premiums;
 - v. The applicant has fixed debts and obligations. Examples include mortgage, rent, minimum monthly payments on credit cards, loan payments, child support, past due utility bills, past due income taxes.
 - v. The applicant has employment-related expenses such as dependent care, transportation, clothing, equipment, job training, or educational activities in preparation for employment;
 - vii. The applicant has non-medical expenses associated with age or disability;
 - viii. Current taxes; or
 - x. Other significant factors that LAF has determined affect the applicant's ability to afford legal assistance (Executive Director approval required).
- (2) If an applicant with income over 125% of FPL is deemed to be LSC income eligible, the reason for the determination must be documented in LegalServer:
- a. Once income above 125% FPL is calculated by LegalServer, the percentage of poverty will turn red and the LSC Income Eligible field will turn from Yes to No.
 - b. Click on "Override" button under "LSC Income Eligible." A "pop-up/drop down" menu will appear.
 - c. Choose the option that fits applicant's circumstances (if any). Most often applicants have fixed debts and obligations or unreimbursed medical expenses.
 - d. Enter a brief description in the Financial Override Notes to justify the option selected (e.g., "hospital bills," "past due rent,")
 - e. The LSC Income Eligible choice must be changed to "Yes" in the pop up window. Then click "Continue."
 - f. If the Override Reason is "Executive Director Approval," you must include written approve from the Executive Director in the LegalServer Profile.
 - g. The LSC Income Eligible box should now say in red "Overridden to Yes [Originally: no]."
 - h. If after overriding LSC income eligibility to "Yes," additional income sources are entered that bring the household income above 150% FPL, you must go back into "Override" and change "LSC Income Eligible" back to "No," then click "Continue."
 - i. If Income is above 150%, DO NOT use the Override button. Check with a supervisor about eligibility.
 - j. After all household income sources and amounts have been entered, click "Save & Continue" at the bottom of the page.

C. **How to Determine Household Income**

- (1) All gross income from all included household members must be entered into the LegalServer Profile.
- (2) Gross income (before taxes and deductions) includes, but is not limited to:
 - a. Wages and salaries
 - b. Income from self-employment (after business expenses are deducted)
 - i. Use Adjusted Gross Income on the applicant's tax return if available
 - ii. If we schedule an appointment for the client, ask him/her to bring his/her most recent tax return (including all schedules) or other documentation of income.
 - c. Unemployment benefits
 - d. Social Security, SSI, TANF, AABD, VA Benefits
 - e. Any other regular payments from governmental programs for low income persons or persons with disabilities
 - f. Worker's compensation payments
 - g. Child support
 - h. Alimony (maintenance)
 - i. Public or private employee pension benefits
 - j. Rental income (see Section D below for further instructions)
 - k. Insurance or annuity payments
 - l. Income from dividends, interest, rents, royalties or from estates and trusts
 - m. Strike benefits from union funds
 - n. Training stipends
 - o. Military family allotments
 - p. Any regular or recurring sources of financial support which are currently and actually available to the applicant.
- (3) Use income source drop down menu as a guide for soliciting additional sources of household income. Callers frequently fail to provide all sources unless we ask specifically for it.
- (4) Use the (-/+) button to expand to additional sources of income, until all sources have been identified. Use Relationship/Notes field to identify household member to whom the source is attributed (e.g., child's SSI).
- (5) The following sources of support should not be included as income:
 - a. Food stamps (SNAP)
 - b. Rental assistance paid directly to a landlord
 - c. Payments made by someone else on behalf of applicant (someone else is paying applicant's rent, utilities, credit card or car payments)
 - d. "In kind" rental or mortgage payments (applicant living rent free with someone else who pays rent or mortgage).
 - e. Value of food or rent received by applicant in lieu of wages
 - f. Money withdrawn from bank

- g. Tax refunds
- h. Gifts
- i. Loans
- j. Compensation and/or one-time insurance payments for injuries sustained;
- k. Non-cash benefits
- l. Up to \$2,000 per year of funds received by individual Native Americans that is derived from Indian Trust income or other distributions exempt by statute.

D. How to Calculate Rental Income

- (1) Get the total gross monthly rental income;
- (2) Subtract the monthly mortgage payment for the rental property;
- (3) Enter the difference between (1) and (2) as rental income.

If the applicant's household income falls below 150% of FPL using the above calculation, you do not need to inquire further about rental income. However, if the applicant's income is above 150% of FPL, the following further adjustments should be made:

- (4) Subtract monthly property taxes and insurance for the building;
 - a. If taxes and insurance are already included in applicant's mortgage payment, there will be nothing but the mortgage payment to subtract;
 - b. If applicant only knows semi-annual or annual tax and insurance amounts, we will have to calculate the monthly amount;
- (5) If the applicant's household income is still above 150% of FPL after (4), subtract the amount applicant pays per month for building maintenance and upkeep;
- (6) If the applicant's household income is still above 150% of FPL, inform the applicant that s/he appears to be financially ineligible for our services, but if s/he would like us to reconsider that determination, s/he can fax us a copy of her/his most recent tax return (including all schedules) and we will review it.

E. Asset Eligibility

Every caller must be screened for assets, although there are no asset limitations for clients served under some non-LSC grants. LAF asset eligibility guidelines have 2 components: excluded assets and countable assets.

- (1) Excluded assets are not counted when determining asset eligibility.

- (2) Countable assets must be calculated. As long as countable assets are not more than \$8,000, an applicant is asset-eligible for services provided with LSC funds.
- (3) If an applicant's countable assets exceed \$8,000 but there is an extraordinary or compelling reason for LAF to consider representation, a request may be made to the Executive Director or his/her designee to waive the asset ceiling. When the asset ceiling is waived, the decision and justification must be documented in writing and saved in the LegalServer notes, and the asset override "Executive Director Approval" must be selected. The applicant can be identified as LSC eligible when asset ceilings are overridden by the Executive Director or his/her designee.
- (4) When an applicant who is not LSC eligible due to assets is eligible for services under another funding source, LSC eligibility should be changed to "No" in LegalServer, and another funding source should be selected. ***The Exceptions to LSC Financial Eligibility chart must be consulted before any caller is rejected as over-assets to ensure that we are not turning away someone who can be served with non-LSC funds.***
- (5) Applicants who are eligible under Title III (Seniors) and other non-LSC funding sources, may refuse to answer asset questions. In those cases, "Assets provided" in LegalServer should be changed to "No," and the applicant must be found to be "not LSC eligible."

F. Excluded Assets

The following assets are excluded and the value/balance should **not** be entered in the asset calculation in LegalServer:

- (1) Assets held by the alleged perpetrator in domestic violence cases, including assets held jointly by the alleged perpetrator and the applicant or any member of the applicant's household;
- (2) Assets which are not currently and actually available to the applicant (e.g., applicant is seeking a divorce and property is controlled by spouse). A supervisor may need to be consulted in these situations;
- (3) The applicant's principal residence;
- (4) Vehicles used for transportation;
- (5) Retirement accounts (e.g., IRA, 401(k));
- (6) Anything owned by applicant or household member that is not readily convertible to cash (not including real property);
- (7) Anything else that is exempt from attachment under the Illinois Code of Civil Procedure, 735 ILCS 5/12-1001. Consult with a supervisor to determine whether a disclosed asset is exempt. Make a note in LegalServer for any asset determinations that require supervisory consultation.

G. **Countable Assets**

Any cash or other household resources readily convertible to cash which are currently and actually available to the applicant are countable assets. Every applicant must be asked every about every countable asset category in order to be found LSC eligible. Do not assume that someone who has met income eligibility guidelines does not have money in the bank. The value of the following assets must be entered into LegalServer:

- (1) Cash on hand;
- (2) Balances in all bank accounts (checking or savings)
 - a. If money in bank account is from certain excludable sources, such as workers' compensation, crime victims' compensation, maintenance, child support, or any other property exempt from attachment under the Illinois Code of Civil Procedure, 735 ILCS 5/12-1001, it is an excludable asset (consult with supervisor);
 - b. If money in a bank account is from a loan, it is not an asset;
- (3) Certificates of deposit;
- (4) Savings bonds;
- (5) Investments (including but not limited to stocks);
- (6) Vehicles not used for transportation (book value minus outstanding loans);
- (7) Anything else owned by applicant or countable household member which can be readily convertible to cash. "Readily convertible to cash" may include items that can be pawned, such as jewelry, musical instruments, collectibles, furs, and electronics. Most basic household goods are not readily convertible to cash and do not need to be counted;
- (8) Equity in any real estate other than applicant's principal residence (unless excluded under domestic violence or inaccessibility exceptions). To calculate equity:
 - a. Get the current market value of the property
 - b. Subtract outstanding mortgages and liens on the property.
 - c. Enter the difference between (a) and (b) as the value of "2nd real property" in the asset field.

The Exceptions to LSC Financial Eligibility chart must be consulted before any caller is rejected as over assets to ensure that we are not turning away someone who can be served with non-LSC funds.

H. **Financial Eligibility for Group Representation**

- (1) LAF may use LSC funds to provide legal assistance to a group, corporation, association or other entity if the entity provides information showing that it lacks, and has no practical means of obtaining, funds to retain private counsel and either:

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ATTACHMENT 3

Alienage Documentation

- 45 CFR § 1626.7: Verification of eligible alien status. Required for any in-person consultation.
- Copy the appropriate documents to verify eligibility, sign and date the copy, and upload the copy into LS.
- Permissible alien documentation can be found at G:\Agency Resources\LAF Policies and Procedures\LSC ALIEN ELIGIBILITY FOR REPRESENTATION CHART (May 19, 2014)

Retainer Agreements

- 45 CFR § 1611.9 Retainer agreements
 - The retainer “shall include, at a minimum, a statement identifying the legal problem for which representation is sought, and the nature of the legal services to be provided.”
 - So “eviction” or “SSI disability” is not a sufficient. You must also describe the actual legal services to be provided.
 - The case handler and not the client should be completing this portion of the retainer.
 - Upload the retainer into LS (place in “01 LSC Documents folder”) within 10 days.

How to Determine Household Size

- OCE found that how we define household size varies within the agency.
- If you open a LS profile on a client, make sure you are familiar with LAF's definition of household size.
- See G:\Agency Resources\LAF Policies and Procedures\Financial Eligibility Guidelines\Financial Eligibility Policy 5-27-14.docx, p. 3

“Fixed debts and obligations”

- “Fixed debts and obligations” can serve as an exception for a client whose household income falls between 125% and 150% of the federal poverty level.
- Examples include mortgage, rent, minimum monthly payments on credit cards, loan payments, child support, past due utility bills, past due income taxes.

Reasonable income prospects

- 45 CFR § 1611.7 Manner of determining financial eligibility: The legal services program “shall make reasonable inquiry regarding sources of the applicant’s income, income prospects and assets.”
- We have changed the LS question on “prospective income.” It now reads, “Do you have any reason to believe your income will change in the next 60 days.”

Asset ceiling

- To be LSC eligible, a client's "countable" assets may not be more than \$8,000.
- For the definition of "countable assets," see G:\Agency Resources\LAF Policies and Procedures\Financial Eligibility Guidelines\Financial Eligibility Policy 5-27-14.docx, p. 8.

Federal Help Desk and Bankruptcy Help Desk changes

- The federal and bankruptcy help desks are now required to obtain a citizenship attestation or eligible alienage documentation in order to provide legal assistance to a client.
- This is also true for the Markham Desk and any outreach sites where we regularly see clients for individual appointments.
- If such documentation cannot be obtained, the help desks can only provide “legal information” which is defined as the provision of substantive information not tailored to address a person’s specific legal problem, such as providing a pamphlet or brochure. See LSC CSR Handbook, §§ 2.2 & 2.3.

LSC Timekeeping

- LSC Timekeeping 45 CFR § 1635: Non-volunteer attorneys and paralegals must document in LS no fewer than 7.5 (or 7.25) hours per work day; however, this is a floor, not a ceiling.
- If people work more than that, their time records should so reflect.

Client Statement of Facts

- Client Statement of Facts 45 CFR § 1636: A signed client statement of facts must be prepared when you:
 - file a complaint or petition in a court of law or otherwise initiate or participate in litigation against a defendant, or
 - before you engage in settlement negotiations with a prospective defendant where the client has authorized you to file suit in the event that the settlement negotiations are unsuccessful
- The client can simply sign and date a copy of the complaint or petition to satisfy this requirement. The client need not verify it.
- You can find the form at G:\ Agency Resources\LAF Policies and Procedures\STATEMENT OF FACTS - LSC form.
- Upload the client statement into LS (place in “01 LSC Documents folder”) within 10 days.

Restriction on Representation in Certain Eviction Proceedings form

- This form (G:\Agency Resources\LAF Policies and Procedures\Restriction on Representation in Certain Eviction Proceedings - LSC Form) has been revised and should be used whenever a public housing eviction case involves an allegation of illegal sale, distribution or manufacture of a controlled substance, or possession of a controlled substance with intent to sell or distribute against the leaseholder.
- Simple possession is not grounds to decline a case.
- If the case comes in through CSU, they will complete the form.
- Once it is completed, the form should be uploaded to LS and a copy sent to the Housing Practice Group Director.

Closing Code L

- OCE questioned whether certain cases should have been instead closed as a B, rather than an L. The LSC CSR Handbook provides the following guidance:
 - Cases can be closed as L's where the case handler has engaged in "extensive interaction with third parties on behalf of the eligible client" or "extensive on-going assistance to clients who are proceeding pro se."
- The following factors favor closing a case as an L: (1) a high level of factual complexity; (2) a highly sophisticated legal analysis; (3) drafting of non-routine original pleadings or legal documents; and (4) significant legal research.
- Although not controlling, you may also consider whether a substantial amount of time was charged to the case as evidence of extensive services.

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1. Alienage Documentation
 - a. 45 CFR § 1626.7 Verification of eligible alien status
 - b. Copy the appropriate documents to verify eligibility, sign and date the copy, and upload the copy into LS.
 - c. Permissible alien eligibility documentation can be found at G:\Agency Resources\LAF Policies and Procedures\LSC ALIEN ELIGIBILITY FOR REPRESENTATION CHART (May 19, 2014).pdf.
2. Retainer Agreements
 - a. 45 CFR § 1611.9 Retainer agreements
 - b. The retainer "shall include, at a minimum, a statement identifying the legal problem for which representation is sought, and the nature of the legal services to be provided." So "eviction" or "SSI disability" is not a sufficient. You must also describe the actual legal services to be provided.
 - c. The case handler and not the client should be completing this portion of the retainer.
 - d. Upload the retainer into LS (place in "01 LSC Documents folder") within 10 days.
3. How to Determine Household Size: OCE found that how we define household size varies within the agency. If you open a LS profile on a client, make sure you are familiar with LAF's definition of household size. See G:\Agency Resources\LAF Policies and Procedures\Financial Eligibility Guidelines\Financial Eligibility Policy 5-27-14.docx, p. 3
4. "Fixed debts and obligations" can serve as an exception for a client whose household income falls between 125% and 150% of the federal poverty level. Examples include mortgage, rent, minimum monthly payments on credit cards, loan payments, child support, past due utility bills, past due income taxes.
5. Reasonable income prospects
 - a. 45 CFR § 1611.7 Manner of determining financial eligibility: The legal services program "shall make reasonable inquiry regarding sources of the applicant's income, income prospects and assets."
 - b. We have changed the LS question on "prospective income." It now reads, "Do you have any reason to believe your income will change in the next 60 days."
6. Asset ceiling: To be LSC eligible, a client's "countable" assets may not be more than \$8,000. For the definition of "countable assets," see G:\Agency Resources\LAF Policies and Procedures\Financial Eligibility Guidelines\Financial Eligibility Policy 5-27-14.docx, p. 8.
7. Federal Help Desk and Bankruptcy Help Desk changes: As a result of the OCE audit, the federal and bankruptcy help desks are now required to obtain a citizenship attestation or eligible alienage documentation in order to provide

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legal assistance to a client. If such documentation cannot be obtained, the help desks can only provide "legal information" which is defined as the provision of substantive information not tailored to address a person's specific legal problem, such as providing a pamphlet or brochure. See LSC CSR Handbook, §§ 2.2 & 2.3. This is also true for the Markham Desk, any outreach sites where we regularly see clients for individual appointments.

8. LSC Timekeeping 45 CFR § 1635: Non-volunteer attorneys and paralegals must document in LS no fewer than 7.5 (or 7.25) hours per work day; however, this is a floor, not a ceiling. If people work more than that, their time records should so reflect.
9. Client Statement of Facts 45 CFR § 1636: A signed client statement of facts must be prepared when you:
 - a. file a complaint or petition in a court of law or otherwise initiate or participate in litigation against a defendant¹, or
 - b. before you engage in settlement negotiations with a prospective defendant where the client has authorized you to file suit in the event that the settlement negotiations are unsuccessful.
 - c. Upload the client statement into LS (place in "01 LSC Documents folder") within 10 days.
10. Restriction on Representation in Certain Eviction Proceedings form: This form has been revised and should be used whenever a public housing eviction case involves an allegation of illegal sale, distribution or manufacture of a controlled substance, or possession of a controlled substance with intent to sell or distribute against the leaseholder.
 - a. Simple possession is not grounds to decline a case.
 - b. If the case comes in through CSU, they will complete the form.
 - c. Once it is completed, the form should be uploaded to LS and a copy sent to the Housing Practice Group Director.
11. Closing Code L: OCE questioned whether certain cases should have been instead closed as a B, rather than an L. The LSC CSR Handbook provides the following guidance:
 - a. Cases can be closed as L's where the case handler has engaged in "extensive interaction with third parties on behalf of the eligible client" or "extensive on-going assistance to clients who are proceeding pro se."
 - b. The following factors favor closing a case as an L: (1) a high level of factual complexity; (2) a highly sophisticated legal analysis; (3) drafting of non-routine original pleadings or legal documents; and (4) significant legal research. Although not controlling, you may also

¹ The client can simply sign and date a copy of the complaint or petition to satisfy this requirement. The client need not verify it.

OCE Audit Training

consider whether a substantial amount of time was charged to the case as evidence of extensive services.

Diana C. White

From: Richard Wheelock
Sent: Thursday, February 26, 2015 3:15 PM
To: Diana C. White
Subject: FW: LAF's Help Desks and LSC's entity restrictions
Attachments: Section 504, LSC Appropriations Act.docx

Richard Wheelock | Director of Advocacy

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From: Richard Wheelock
Sent: Monday, September 08, 2014 5:31 PM
To: Alice Setrini; Matthew Lango; Miguel Keberlein; Alan Alop; David S. Yen; Federico Guzman; Mara Block; Cynthia Sadkin; Michelle Gilbert; Amy R. Martin; Timothy Huffman; Adela Carlin; Katherine W. Shank; Alan Alop; Caroline Chapman; Lawrence Wood; Miguel Keberlein; Richard Cozzola; Richard Wheelock
Cc: Diana C. White
Subject: LAF's Help Desks and LSC's entity restrictions

LSC Office of Compliance and Enforcement is requiring that we take the following corrective action:

"Ensure that non-LSC funds used to support the Help Desks are used in accordance with specific purposes for which they are provided and are not used for activity prohibited by or inconsistent with Public Law 104-134, Section 504."

Attached is a copy of Section 504 for your review. These restrictions are commonly referred to as LSC entity restrictions because they apply to activities funded from any source, both LSC and non-LSC funds. Below is a listing of some of the LSC regulations that were promulgated pursuant to Section 504. Please ensure that the operations of the LAF's Help Desks comply with these entity restrictions.

1. Criminal proceedings, 45 CFR part 1613
2. Actions challenging criminal convictions, 45 CFR part 1615
3. Redistricting, 45 CFR part 1632
4. Class actions, 45 CFR part 1617
5. Aliens, 45 CFR part 1626
6. Prisoner litigation, 45 CFR part 1637
7. Welfare reform, 45 CFR part 1639
8. Cases that are inconsistent with LAF Priorities, 45 CFR part 1620

The LSC Appropriations Act includes the following entity restrictions that are also applicable to our Help Desks.

1. Abortions, Section 1007(b)(8) of the LSC Act, Section 504(a)(14) of the LSC Appropriations Act
2. School desegregation, Section 1007(b)(9) of the LSC Act
3. Violations of Military Selective Service Act or military desertion, Section 1007(b)(10) of the LSC Act

If you have any questions, just let me know.

Rich

Richard Wheelock | Director of Advocacy

Phone: 312.347.8389 | Fax: 312.612.1489

120 South LaSalle Street, Ste. 900 | Chicago, IL 60603

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LAF Intake Registration Information

The following information is **CONFIDENTIAL** between you and LAF.

Last Name: _____ First Name: _____
Date of Birth: ____/____/____ Email: _____
Month Day Year
Social Security No: XXX-XX-____ (full SSN needed for bankruptcy, DHS, SSA)
Phone Number: _____ ☐ cell ☐ home ☐ other _____
Alternate Phone Number _____ ☐ cell ☐ home ☐ other _____
Zip Code: _____ Apt. #: _____
Address: _____
City: _____ State: _____

What type of legal problem are you having? (Please describe):

Who is your legal case AGAINST? [for example: landlord, spouse, private company, etc.]:

NAME: _____ Date of Birth: ____/____/____

Do you have a court date? Case No.: _____ Date: _____ Time: _____

If you are a U.S. Citizen, PLEASE SIGN THE BOX BELOW. If you are NOT a U.S. Citizen, please speak to a volunteer to see if you qualify for services.

*I hereby attest that I am a **CITIZEN** of the United States of America.*

Signature

Date

Have you ever served in the military, Reserves or National Guard? ☐ Yes ☐ No
Has anyone else in your household ever served? ☐ Yes ☐ No

Do you currently have health insurance or Medicaid? ☐ Yes ☐ No
Does everyone in your household have health insurance or Medicaid? ☐ Yes ☐ No

Financial Information

Because LAF receives federal funds, we must ask you about your income and assets.

Are you a homeowner? ☐ Yes ☐ No
If Yes, Do you rent out parts of the house? ☐ Yes ☐ No

Number of people 18 or over in your household? _____ Under 18? _____

Please TURN THE PAGE over and complete the second side. Thank you.

ATTACHMENT 5

Please list all sources of income for everyone in your household, including wages, unemployment, Social Security, SSI, TANF, AABD, VA Benefits, workers' compensation, child support, alimony, pension, self-employment income, rental income, insurance/annuity, investment income, strike benefits, training stipends, military family allotments and all other regular financial support.

Name/Relationship	Income Source	Monthly Gross Income
You:		

Do you have reason to believe that your income is likely to change significantly in the next six months? ☐ Yes ☐ No

Do you and/or your children receive SNAP (Food Stamps/LINK)? ☐ Yes ☐ No

Please list all assets for you and everyone in your household.

Asset/Resource	Value
Cash on hand	
Total of balances in all bank accounts (checking and savings)	
Certificates of deposit	
Savings bonds	
Investments	
Vehicles not used for transportation (value minus unpaid loans)	
Property (real estate) that you do not live in (value minus unpaid mortgages/loans)	
Anything else you have that is readily convertible to cash (for example, will a pawn shop take it?) Examples are: jewelry, musical instruments, furs, electronics.	

Gender: ☐ Male ☐ Female ☐ Transgender

Race: ☐ African-American ☐ Hispanic ☐ White (non-Hispanic)
☐ Native-American ☐ Asian or Pacific Islander ☐ Other

Language (if not English): _____

Are you a person with a disability? ☐ Yes ☐ No

Is anyone in your household a person with a disability? ☐ Yes ☐ No

Please return the completed form to the staff at the desk and wait to be called. Thank you.

Diana C. White

From: Graves, Robert <bglaves@chicagobar.org>
Sent: Thursday, March 19, 2015 1:51 PM
To: Diana C. White
Subject: RE: Office of Compliance and Enforcement (LSC) question

Hello Diana—

Please allow this email to confirm we did have that conversation and that the CBF is in agreement with the revised procedures you have outlined below. Thanks

Bob

Bob Graves
Executive Director
The Chicago Bar Foundation
321 S. Plymouth Ct., Suite 3B
Chicago, IL 60604
(312) 554-1205
bglaves@chicagobar.org
<http://chicagobarfoundation.org/>

From: Diana C. White [<mailto:dwhite@lafchicago.org>]
Sent: Thursday, March 19, 2015 12:26 PM
To: Graves, Robert
Subject: Office of Compliance and Enforcement (LSC) question

Bob, after the OCE visited LAF last spring, OCE directed us to revamp our procedures at the Hibbler Project, the Bankruptcy Desk, and the Markham Desk (all funded by the Chicago Bar Foundation). In a nutshell, unless we established that the person seeking help was either a US citizen or an eligible alien under LSC's criteria, we could not provide the person with legal advice. (This is an "entity" restriction, and not just a restriction on the use of LSC funds, so it applies to the Desks even though they use no LSC funds.) We could only provide legal information, a category that excludes any application of the information to the person's particular situation.

OCE agreed that we did not need to screen any visitors to these three desks for financial eligibility under LSC's rules, which would slow down the process enormously and cut back on the services we can provide.

I called you after the OCE visit to describe how we intended to proceed, and get your consent to operate the three desks this way:

- We would establish and document that each visitor was a US citizen or eligible alien.
- For anyone who was not, we could only provide legal information.

- For anyone who was, we could provide legal advice or more extended service – even though the case cannot be reported to LSC.

You agreed.

I don't have any documentation of that conversation, which OCE would now like to have. Can you just respond to this e-mail, confirming that we had the conversation and that you were in agreement with the revised procedures?

Thanks. D

Diana C. White | Executive Director
Phone: 312.347.8359 | Fax: 312.612.1459
120 South LaSalle Street, Ste. 900 | Chicago, IL 60603
www.lafchicago.org



Equal justice starts here.

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Diana C. White

From: Richard Wheelock
Sent: Thursday, February 26, 2015 3:26 PM
To: Diana C. White
Subject: FW: Proof of citizenship/alien eligibility for Help Desk clients
Attachments: Immigrant Eligibility Flow Chart.pdf; Citizenship Attestation.docx

Importance: High

Richard Wheelock | Director of Advocacy
Phone: 312.347.8389 | Fax: 312.612.1489
120 South LaSalle Street, Ste. 900 | Chicago, IL 60603
www.lafchicago.org



Equal justice starts here.

From: Cynthia Sadkin
Sent: Friday, April 11, 2014 6:17 PM
To: Shamira Youkhaneh; David S. Yen; Alice Setrini; Deanne Medina; Sharlyn Grace; Amy R. Martin; Crystal McCarl
Cc: Timothy Huffman; Tim Huizenga; Lawrence Wood; Richard Cozzola; Jennifer Payne; Richard Wheelock; Diana C. White; Lisa Palumbo; Eric Fong
Subject: Proof of citizenship/alien eligibility for Help Desk clients
Importance: High

Beginning immediately, Help Desks must obtain citizenship attestations or documentation of alien eligibility for all Help Desk clients. We are prohibited from providing legal advice to anyone in person without getting proof of eligibility. This is an LSC "entity restriction." It doesn't matter that the advice is being provided with non-LSC funds. We will formalize this policy as soon as we can, and Lisa Palumbo will provide training on LSC eligibility for non-citizens. In the meantime, I hope this guidance will be sufficient.

1. Does your Help Desk have a copier or scanner? If not, contact Eric Fong. There are 2 donated scanners in Larry Wood's office that should be available and IT may have others.
2. For U.S. Citizens (most Help Desk clients), please have them sign and date the Citizenship Attestation, then make sure it gets uploaded into the LegalServer. Hard copies do not need to be kept once uploading is confirmed.
3. For non-citizens:
 - a. The easiest category of non-citizen eligibility is Lawful Permanent Resident. Copy or scan the LPR card (front and back) and sign and date the copy to prove when you received it. Upload the copy into LegalServer.
 - b. A domestic violence survivor does not need documentation of alien status to receive services *related to* the dv, but we should document the domestic violence in the case notes. The same is true for victims of certain crimes (U-visa, T-Visa). When in doubt, try to consult with Lisa Palumbo or Nubia Willman.
 - c. Other alien status eligibility gets more complicated to determine, and has varied documentation requirements.

ATTACHMENT 7

4. If you are not able to ascertain alien eligibility, you should not provide legal advice. You may provide general legal information which is not tailored to the client. You cannot call the same service advice for some clients and legal information for others. Until we can provide more guidance on the distinctions, it's best to provide a referral only.
5. If someone works at your Help Desk that is not included in this email, please share this information with them.
6. If you have questions about this email, send them to Rich Wheelock and me. If you have questions about a specific client or alien eligibility, please contact Lisa Palumbo.
7. For more detailed information, see G:\Agency Resources\LSC Regulations and Forms\LSC Regulations (effective May 27, 2011).pdf

Thanks for your cooperation.

Diana C. White

From: Richard Wheelock
Sent: Thursday, February 26, 2015 3:24 PM
To: Diana C. White
Subject: FW: LSC "status eligibility" update for Help Desks

Richard Wheelock | Director of Advocacy
Phone: 312.347.8389 | Fax: 312.612.1489
120 South LaSalle Street, Ste. 900 | Chicago, IL 60603
www.lafchicago.org



From: Cynthia Sadkin
Sent: Friday, June 27, 2014 11:34 AM
To: Timothy Huffman; Amy R. Martin; Crystal McCarl; Deanne Medina; Alice Setrini; Tim Huizenga; Shamira Youkhaneh; David S. Yen; Katie Sass; Sharlyn Grace; Richard Cozzola
Cc: Vivian R. Hessel; Richard Wheelock; Diana C. White; Consumer PG
Subject: LSC "status eligibility" update for Help Desks

Help Desk Staff:

Thank you for the efforts you have made since the OCE visit in April to check and obtain citizenship/alien eligibility status from Help Desk visitors. This email is intended to bring additional clarity and uniformity to your practice. After any additional questions are raised and resolved, I will put these instructions in the Policies and Procedures folder in the G Drive (eventually on SharePoint).

1. All visitors to the Help Desk must be screened for "status eligibility" under LSC regulations, and documentation must be uploaded into the LegalServer Profile.
 - a. U.S. Citizens must sign a citizenship attestation.
 - b. Lawful Permanent Residents must provide an LPR card for copying.
 - c. Consult LSC ALIEN ELIGIBILITY CHART for other categories and required documentation (this will also be updated soon).
2. Status-eligible persons can be advised and provided brief services, with a LegalServer closing code of A or B.
3. Status-ineligible persons cannot be given legal advice. They can be provided with generic legal information not specific to their particular facts, and be given referrals to other sources of assistance. Generic legal information may include where to go to file court papers, or printed material from ILAO.
 - a. Use Closing Code Q for ineligible persons.
 - b. LegalServer notes should be brief and reflect information/referral provided. If the notes indicate advice was given, we are not complying with LSC regulations!
4. All Help Desk cases, including A's, B's, and Q's will be reported as Matters to LSC, so we "get credit" the same way we did before.

ATTACHMENT 8

Please forward this to anyone who works with you at a Help Desk that I have inadvertently left off the Sender List.

As always, please let me know if you have any questions.
Cynthia

Cynthia Sadkin | Director, Client and Community Services

Phone: 312.347.8346 | Fax: 312.612.1446

120 South LaSalle Street, Ste. 900 | Chicago, IL 60603

www.lafchicago.org



Equal justice starts here.

Diana C. White

From: Richard Wheelock
Sent: Thursday, February 26, 2015 3:22 PM
To: Diana C. White
Subject: FW: LAF intake form for clinic/off site use
Attachments: LAF Intake Form.docx

Richard Wheelock | Director of Advocacy
Phone: 312.347.8389 | Fax: 312.612.1489
120 South LaSalle Street, Ste. 900 | Chicago, IL 60603
www.lafchicago.org



Equal justice starts here.

From: Cynthia Sadkin
Sent: Wednesday, July 09, 2014 7:17 PM
To: LAF Staff
Subject: LAF intake form for clinic/off site use

I have updated the clinics intake forms to incorporate our current financial eligibility policy. A generic form is now available on Sharepoint:
http://sharepoint/_layouts/WordViewer.aspx?id=/LAF%20Document%20Library/LAF%20Intake%20Form.docx&Source=http%3A%2F%2Fsharepoint%2FLAF%2520Document%2520Library%2FForms%2FAIItems%2Easpx&DefaultItemOpen=1&DefaultItemOpen=1

This form can be used for anyone who is conducting intake off site and later entering the information into LegalServer. If you use it, please remember to upload the paper form into LegalServer if the citizenship attestation form is signed, or upload other appropriate documentation of eligible alien status (e.g., LPR card). We must obtain citizenship/alien documentation for anyone seen in person, whether at LAF or off site (more on this soon).

Thanks to Nicole Miller, Kate Shank, Jennifer Payne, and Kenya Burnett for your help with the revisions (and anyone else I forgot!)

Cynthia Sadkin | Director, Client and Community Services
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ATTACHMENT 9

Diana C. White

From: Richard Wheelock
Sent: Thursday, February 26, 2015 4:11 PM
To: Cynthia Sadkin; Diana C. White
Subject: Another OCE compliance policy

Richard Wheelock | Director of Advocacy
Phone: 312.347.8389 | Fax: 312.612.1489
120 South LaSalle Street, Ste. 900 | Chicago, IL 60603
www.lafchicago.org



Equal justice starts here.

From: Vivian R. Hessel
Sent: Sunday, July 13, 2014 9:49 PM
To: LAF Supervisors
Subject: New Field for Supervisors to Track LSC Documents in Case Profiles

For All Supervisors:


We now have a new field in our case profiles that is **visible only to supervisors** to keep track of whether the LSC-required documents for each case profile have been uploaded. A snip showing this field is below. The field appears under the first tab in the top row of tabs in a case profile.

I've also created a report called, "Cases Report for Supervisors" which is available only to supervisors and which includes this new "LSC Docs Uploaded" field. The report defaults to showing all open cases. You can use the Filter Options to select open cases for one practice group, or one program, or one advocate, etc. If anyone has any recommendations for improving this report, please let me know.

Lea Remigio, a LegalServer consultant, worked with me to create this field and to make it visible based on user role. If you are receiving this email but you do not see this field on case profiles, please let me know.

Thanks.
Vivian

ATTACHMENT 10



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[Cases](#)
[Community Engagement](#)
[Timekeeping](#)
[Contacts](#)
[Organizations](#)
[Reports](#)
[Admin](#)

Home » Cases » **Paul McCartney (12-1106820)**

[^](#)
[Contacts](#)
[Additional Names](#)
[Income](#)
[Assets](#)
[Events](#)
[Tasks](#)
[Case Time](#)
[Outcomes](#)

Paul McCartney (12-1106820)

Other Cases for this Client This Client has 3 Other Case Records [Expand](#)
 Client

Master/ Subordinate Case Status No Associated Cases [Expand](#)

Have all LSC-required documents for this case been uploaded? Yes

Vivian R. Hessel | Director, Technology for Advocates
 Phone: 312.347.8344 | Fax: 312.612.1444
 120 South LaSalle Street, Ste. 900 | Chicago, IL 60603
www.lafchicago.org



TIME RECORD FOR OUTSIDE PRACTICE CASE (EXHIBIT 2)

Name of client:

Date Time work began Time work ended Brief description

Attorney signature

ATTACHMENT 11

Date:

«Name»
«Address_Line_1»
«Address_Line_2»
«Address_Line_3»
«City», «StateProvince» «Postal_Code»

Dear «Short_Salutation»,

LAF is required by law to provide all donors and with the following information:

LAF is funded in part by the Legal Services Corporation. As a condition of the funding received from the Legal Services Corporation, its employees are restricted from engaging in certain activities in all of their legal work, no matter where the funding for the work comes from. LAF may not expend any funds for any activity prohibited by the Legal Services Corporation Act, 45 U.S.C. 2996 et seq. or the annual Public Laws of the United States Congress appropriating funds to the Legal Services Corporation.

For a copy of these laws or for any other information or clarifications, please contact: LAF, 120 S. LaSalle St., Ste. 900, Chicago, IL 60603; Telephone (312) 229-6388.

Best,

Diana C. White
312-347-8359
dwhite@lafchicago.org

ATTACHMENT 12



Bank Reconciliation Policy

1. PURPOSE

To assure that the LAF complies with requirements established by various Federal and State funding agencies.

2. SCOPE

- a. This policy applies to all bank accounts held by LAF.
- b. This policy describes the organization's objectives and policies regarding the bank reconciliation at Private Bank.

3. Procedure

- a. The Junior Accountant is responsible for reconciling all Agency bank statements within thirty (30) days from the date of the bank statement.
- b. The Controller shall review and approve all journal entries necessary to record general ledger adjustments resulting from the reconciliation of bank statements.
- c. The Controller is responsible for directing activities that will provide resolution of outstanding checks that are more than ninety days old. This may include notifying the bank to issue a stop payment so that a replacement check can be issued.

4. WORK FORCE TRAINING

- a. Financial Edge customer service includes a training manual and help hotline for staff.
 - 1) New staff member training: Are trained by the comptroller.
 - 2) Recurrent training: Are trained by the comptroller.
 - 3) Special function training: Are trained by the comptroller.

Reconciling Bank Accounts

To start the reconciliation process, click Reconcile this account from Cash Management tasks on the Banks page. The Bank Account Reconciliation screen for the selected bank account appears so you can start the process.

1. From Cash Management tasks on the Banks page, click Reconcile this account. The Bank Account Reconciliation screen for the selected bank appears.

We recommend you post all transactions to General Ledger before reconciling.

2. In the Statement date field, enter the date of the bank statement.

3. In the Starting balance and Ending balance fields, enter the starting and ending balances from the statement.

4. If you have new adjustments to enter before reconciling, click New Adjustment on the action bar. The New Adjustment screen for the selected bank account appears so you can enter adjustment information. You can also open or delete existing adjustments.

5. Click Begin Reconciliation. The program begins reconciling, and a new Bank Account Reconciliation screen appears with unreconciled transactions listed in a grid. Review the transactions for accuracy and edit or delete incorrect transactions in the grid.

6. Mark the checkbox in the Cleared? column for each transaction to be reconciled. To clear all the transactions in the grid, click Mark All. Click Summary on the toolbar to see a recalculated summary of cleared transactions and balances below the grid.

7. To see reconciliation details, click Show Reconciliation Details. The Reconciliation Details screen appears.

8. To view a comparison of the bank register with the bank statement, select the Register to statement tab.

9. To view a comparison of cash accounts with the bank statement, select the Cash account(s) to statement tab.

Click Close. You return to the Bank Account Reconciliation screen.

You can click Reconcile Later to save reconciliation information and complete the process at another time. The entries in the Statement date, Starting balance, and Ending balance fields are saved. If you click Cancel, no changes are saved and you must re-enter statement information.

Once you have identified, matched, and cleared all transactions, and the Out of balance by amount displays \$0.00, you are ready to reconcile. Click Reconcile Now. The program compares the register and cash accounts to the bank statement and checks to see if any errors or omissions exist.

If the register is in balance with the statement, the Reconciliation screen appears. Transactions you cleared are now reconciled. Click Continue to complete the process, and proceed to step 14.

If the register does not balance with the statement, the Bank Register and

Cash Account(s) Out of Balance screen appears so you can return to reconciliation and correct the error or create an adjustment to make the correction:

Return to bank reconciliation — to cancel reconciliation and return to the grid to make corrections or adjustments

Create a Deposit/Payment adjustment to balance the bank register — to create an adjustment that will balance the account

If General Ledger cash accounts are out of balance with the statement, the Cash Account(s) Out of Balance screen appears so you can return to reconciliation and correct the error or ignore the out of balance issue:

Return to bank reconciliation — to cancel reconciliation and return to the grid to make corrections or adjustments

Ignore out of balance issue — to allow the out of balance situation to remain and continue reconciling

If you mark Ignore out of balance issue, the program checks for unposted transactions that have been cleared through the reconciliation process. At this time, you can post these transactions.

Mark View Reconciliation Report and click Continue. The Reconciliation Report appears so you can view or print it.

Close the preview screen. You return to the Banks page.

Electronic Banking Policy

1. PURPOSE

To assure that the LAF complies with requirements established by various Federal and State funding agencies.

2. SCOPE

- a. This policy applies to all electronic banking transactions at LAF.
- b. This policy describes the organization's objectives and policies regarding the electronic banking at Private Bank.

3. Procedure

- a. The Junior Accountant is responsible for submitting all Agency electronic banking.
- b. The Agency has determined the recurring monthly transactions and applied an exception threshold. Any ACH transactions that are not on the recurring list or are above the threshold require approval by the Controller.
- c. The Controller shall review and approve all journal entries necessary to record general ledger adjustments resulting from the electronic banking.
- d. Bank reconciliations are to be done in 30 days and approved by the comptroller (see bank reconciliation policy).

4. WORK FORCE TRAINING

- a. Private Bank's customer service includes a training manual and help hotline for staff.
 - 1) New staff member training: Are trained by the comptroller.
 - 2) Recurrent training: Are trained by the comptroller.
 - 3) Special function training: Are trained by the comptroller.

LAF Policy and Procedures for Technology Initiative Grants (TIGs)

LAF has in place the policies, procedures and practices outlined below for all open TIGs and all TIGs awarded and/or active within the last five (5) years, including terminated TIGs.

LAF's Director of Technology for Advocates is responsible for managing LAF's TIGs. This includes:

- a. Preparing the Letter of Intent and full application for the grant;
- b. Obtaining the signatures on the Acceptance of Grant Award;
- c. Complying with the grant assurances;
- d. Preparing the administrative plan, evaluation plan, and milestone reports;
- e. Preparing the subcontracts with consultants and contractors;
- f. Preparing the sub-grant agreements with sub-grantees;
- g. Providing copies of all grant awards, subcontracts, and sub-grant agreements to LAF's Accounting Department;
- h. Overseeing the project implementation;
- i. Reviewing and approving invoices from consultants, subcontractors, and sub-grantees;
- j. Reviewing and approving purchases of equipment;
- k. For TIGs on which LAF is a sub-grantee or subcontractor, preparing invoices for time spent on the TIG and submitting these invoices to the primary TIG recipient; and
- l. For TIGs on which LAF is a sub-grantee or subcontractor, providing copies of the invoices for time spent on the TIG to LAF's Accounting Department.

LAF's Accounting Department receives all TIG payments and handles them according to the Accounting Guide for LSC Recipients. The Accounting Department provides copies of TIG payments received from LSC to the Director of Technology for Advocates.

The Director of Technology for Advocates reviews all invoices for TIG expenses to ensure they are in line with the budget for the TIG. After the Director of Technology for Advocates approves the invoices for payment, the invoices go to the Accounting Department for payment.

For TIGs which provide for payments to LAF based on time spent by LAF staff for their work on the TIG, a funding code or activity details label is assigned in LAF's case management system (LegalServer). All staff members spending time on the particular TIG are instructed to use the funding code or activity details label, as appropriate, when recording their time on the TIG. The Director of Technology for Advocates runs reports for all staff time on each active TIG at the end of each reporting period, and prepares invoices if appropriate. She forwards to LAF's Accounting Department a summary of the time spent on the TIG or a copy of the invoice sent to the primary recipient of the TIG, which details the amounts to be charged against each TIG.

Diana C. White

From: Diana C. White
Sent: Thursday, March 19, 2015 12:47 PM
To: Diana C. White
Subject: FW: Corrective action follow up
Attachments: LAF TIG Policy and Procedures.pdf

From: Vivian R. Hessel
Sent: Thursday, February 26, 2015 4:27 PM
To: Diana C. White
Subject: RE: Corrective action follow up

Hi Diana,

For Item #19: In March 2014, I wrote up the attached LAF TIG Policy and Procedures. I believe we previously provided this document to the OCE folks. Is this what they want? It pretty much covers everything.

I'm not sure what they mean by "training... on the new form." As part of managing our TIG projects and overseeing the project implementation, I train staff who don't regularly keep time in LegalServer how to enter their time for the TIG project they are working on, and I run regular reports to verify that time records are entered.

I met with Sheila on February 5, 2015 to review our TIG projects generally, and to confirm the processes that Ken and I had put in place to comply with the attached document.

If there is something else that you need, please let me know.

Thanks.

V.

Vivian R. Hessel | Director, Technology for Advocates

Phone: 312.347.8344 | Fax: 312.612.1444

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ATTACHMENT 15